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AT LOS ANGELES



THE GIFT OF
MAY TREAT MORRISON
IN MEMORY OF
ALEXANDER F MORRISON

1052

FREE TRADE



FREE TRADE

BY

THE RIGHT HON. LORD AVEBURY, P.C.

German Ord. Pour le Mérite ; Com. Legion of Honour ;
Pres. of the Soc. of Antiquaries ; Trustee British Museum ;
D.C.L. (Oxon.), LL.D. (Cantab. Dubl. et Edin.), M.D. (Würzb), F.R.S.,
(Hon.) R.A., F.L.S., F.G.S., F.Z.S., F.S.A., F.E.S. ; Assoc. Acad. Roy. des Sci. Brux. ;
Hon. Mem. R. Irish Acad., Amer. Ethnol. Soc., Anthrop. Soc. Wash. (U.S.),
Brux., Firenze, Anthrop. Verein Graz, Soc. Entom. de France,
Soc. Géol. de la Suisse, and Soc. Helvét. des Sci. Nat. ;
Mem. Amer. Phil. Soc. Philad., and Soc. d'Ethn. de Paris ; Corresp. Mem. Soc.
Nat. des Sci. Nat. de Cherb., Berl. Gesell. für Anthrop., Soc. Romana
di Antrop., Soc. d'Emul. d'Abbeville, Soc. Cient. Argentina, Soc.
de Géog. de Lisb., Acad. Nat. Sci. Philad., Numis. and Ant.
Soc. Philad., Amer. Entom. Soc. ; For. Assoc. Mem.
Soc. d'Anthrop. de Paris ; For. Mem. Amer. Antiq. Soc. ;
For. Mem. Soc. Espanola de Hist. Nat. ; For. Mem. Roy. Swedish Acad.
of Sci. Upsala ; For. Mem. Danish Acad. of Sci. and Lit. ;
Hon. Mem. New Zealand Inst.

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PREFACE

MY recent volume of *Essays and Addresses* is almost out of print, and several suggestions have been made that the two chapters on Fiscal Policy should be reprinted separately. Since they were written, however, much has happened. Many speeches have been made, many articles have been written, and three short but very instructive Blue-books have been issued. The first contains reports from our representatives at Berlin, Berne, Paris, Rome, and St. Petersburg, on the three recent tariff wars, in which the policy of retaliation has been attempted, with disastrous results, which ought surely to be a lesson to other countries; the second contains the views of the Government of India with reference to Preferential Trade; while the third gives important information as to the bounties and drawbacks given by foreign countries.

Under these circumstances, instead of merely reprinting my previous chapters, I have thought it better to expand and almost rewrite them. It does not appear to me that there are any sufficient reasons to reverse our present system, while the Board of Trade Memorandum of 1902 "On the Comparative Statistics of Population, Industry, and

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GIFT OF MRS. A. F. MURKINSON

Commerce" by Sir A. Bateman; and the "Memoranda, Statistical Tables, and Charts," prepared by the Board of Trade and issued for our guidance by Government in 1903, together with the three Blue-books above mentioned, afford important evidence in support of the Free Trade position.

HIGH ELMS, DOWN, KENT,
March 1904.

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CHAPTER I

ON THE PRESENT POSITION OF BRITISH COMMERCE

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LIFE is full of surprises, but few things have astonished me more than the idea that England is being ruined by Free Trade.

Yet we frequently hear, even sometimes from high official authorities, very gloomy apprehensions both as to the present condition and future prospects of British commerce. The facts do not seem to me to justify these melancholy forebodings.

Let us see how they really stand.

So far as the general condition of trade is concerned the amount of our exports and imports last

year attained the gigantic total of £903,000,000—the largest volume of commerce ever transacted in a single year by any country in the history of the world.

The value of our total exports and imports was, in

| | | | |
|------|--------------|------|--------------|
| 1855 | £260,000,000 | 1890 | £749,000,000 |
| 1860 | 378,000,000 | 1900 | 877,000,000 |
| 1870 | 547,000,000 | 1903 | 903,000,000 |
| 1880 | 697,000,000 | | |

Moreover, the period of increase coincided remarkably with the adoption of a Free Trade policy. For the first fifty years of the last century the progress of our trade was slow; after Free Trade was adopted it went up by leaps and bounds.

I do not, indeed, suggest that Free Trade was the only cause. Others no doubt contributed: the long peace, railways, steam, etc.; but Free Trade was certainly one of the most important.

Mr. Gladstone in 1880 made a special study of this problem with the view of determining how much was attributable to the development of railways, telegraphs, etc., and how much to the emancipation of trade, and came to the conclusion that approximately 30 per cent might be due to the former, and 70 per cent to Free Trade.¹ There are, however, some other causes to be considered, and other allowances ought, I think, to be made, but 50 per cent would certainly be a safe estimate.

In any case, however, what we are considering for the moment is not what the cause may be, but whether we are, as we are told, “bleeding to death,”

¹ *Nineteenth Century*, February 1880.

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or whether, on the contrary, the country as a whole is in a prosperous condition.

Those who take a gloomy view of our commercial position generally complain that though our imports are increasing our exports are falling off. Have we then in this respect any reason for discouragement?

The average value of our domestic exports in the five years ending 1805 was £39,000,000, and in the five years ending 1850 was £61,000,000, an increase of about £22,000,000 in fifty years. In the five years ending 1900 they were £253,000,000, an increase in the next fifty years of no less than £192,000,000. Moreover, if we take the figures every five years the result comes out even more clearly. At the beginning of the century, as already mentioned, our exports were £39,000,000. The Corn Laws were abolished in 1846, and our average exports during the preceding five years were £54,000,000. In the five years ending

| | | |
|------|-----------|--------------------------|
| 1850 | they were | £61,000,000 |
| 1855 | ,, | 89,000,000 |
| 1860 | ,, | 124,000,000 |
| 1865 | ,, | 144,000,000 |
| 1870 | ,, | 188,000,000 |
| 1880 | ,, | 201,000,000 |
| 1890 | ,, | 227,000,000 |
| 1900 | ,, | 253,000,000 ¹ |

The great rise followed, therefore, very closely the Free Trade policy.

But it is often said that other countries are

¹ The figures for 1899 do not include ships. The amount for 1900 was £8,500,000, a great advance over previous years.

making greater progress. Let us, then, compare our own figures with those of other countries.

The following table gives our statistics as compared with those of France, Germany, Russia, and the United States :—

IMPORTS AND EXPORTS OF CERTAIN COUNTRIES,
EXCLUDING BULLION AND SPECIE.

SPECIAL TRADE, 1895-1900.

(000's are omitted. The figures up to 1899 do not include ships, the value of which that year amounted to £9,200,000.)

| Calendar Years. | United Kingdom. | France. | Germany. | Russia. | United States, years ending 30th June. |
|-----------------|-----------------|-----------|-----------|----------|--|
| 1895— | | | | | |
| Imports . | £ 356,986 | £ 148,796 | £ 206,035 | £ 53,851 | £ 149,547 |
| Exports . | 226,128 | 134,952 | 165,895 | 68,908 | 165,290 |
| Total . | 583,114 | 283,748 | 371,930 | 122,759 | 314,837 |
| 1896— | | | | | |
| Imports . | 385,575 | 151,944 | 215,360 | 58,981 | 158,400 |
| Exports . | 246,146 | 136,036 | 176,255 | 68,993 | 179,833 |
| Total . | 631,721 | 287,980 | 391,615 | 127,974 | 338,233 |
| 1897— | | | | | |
| Imports . | 391,075 | 158,240 | 234,035 | 56,000 | 155,363 |
| Exports . | 234,220 | 143,920 | 181,750 | 72,612 | 215,002 |
| Total . | 625,295 | 302,160 | 415,785 | 128,612 | 370,365 |
| 1898— | | | | | |
| Imports . | 409,890 | 178,902 | 254,032 | 59,324 | 128,343 |
| Exports . | 233,360 | 140,436 | 187,828 | 74,828 | 252,144 |
| Total . | 643,250 | 319,338 | 441,860 | 134,152 | 380,487 |
| 1899— | | | | | |
| Imports . | 419,994 | 180,732 | 259,850 | 62,745 | 145,239 |
| Exports . | 264,492 | 166,105 | 199,571 | 63,507 | 250,819 |
| Total . | 684,486 | 346,837 | 459,421 | 126,252 | 396,058 |
| 1900— | | | | | |
| Imports . | 460,534 | 176,341 | 277,900 | 60,430 | 177,024 |
| Exports . | 291,451 | 163,121 | 220,700 | 72,680 | 285,516 |
| Total . | 751,985 | 339,462 | 498,600 | 133,110 | 462,540 |

SPECIAL TRADE. Note.—Special Imports are Imports for Home Consumption. Special Exports are Exports of Domestic Produce.

| | United Kingdom. | France. | Germany. | Russia. | United States. |
|--|-----------------|----------|-----------|----------|----------------|
| Total Trade : Excess of 1900 over 1895 | £ 168,800 | £ 55,714 | £ 126,670 | £ 10,351 | £ 147,703 |
| Exports : Excess of 1900 over 1895 . | 65,000 | 28,169 | 54,805 | 3,772 | 120,226 |

Thus, then, if we take our trade for 1900 as compared with 1895, the figures are as follows: Russia, an increase of £10,000,000; France, £56,000,000; Germany, £127,000,000; the United States, £148,000,000; and the United Kingdom, £169,000,000.

Many, however, will say that the imports merely show our requirements; that for the comparison of the condition of our manufacturing interests we must look, not at the whole trade, but rather at the exports.

Let us, therefore, take the "special" exports in the same way, comparing those last year with 1895. The differences are: Russia, an increase of £4,000,000; France of £28,000,000; Germany of £55,000,000; and the United Kingdom of £65,000,000.

The figures, therefore, certainly do not justify the pessimistic views as to our commerce.

Moreover, they are the more remarkable if we bear in mind the great falling off in prices. The President of the Board of Trade (Mr. Gerald Balfour) has recently stated (*Times*, 11th and 19th August) that if the figures were computed at the prices of 1873 our total commerce for 1902 would have been over £1,200,000,000, and our exports at £418,000,000. In fact, for some purposes the weight would be a better criterion of trade than the value.

It is not, indeed, possible to obtain such figures with any accuracy. Mr. John Williamson, of Liverpool, has, however, calculated, for the Chamber of Shipping, the total weight represented by the exports and imports, and his results may, I think, be taken as being approximately correct.

He estimates the total weight of our exports and imports as having been, for—

| | | | | | |
|------|---|---|---|---|------------------|
| 1880 | . | . | . | . | 53,000,000 tons. |
| 1890 | . | . | . | . | 76,500,000 „ |
| 1900 | . | . | . | . | 102,500,000 „ |

So that they have practically doubled in twenty years.

Mr. Chamberlain, however, takes a different and very gloomy view of the position. He has told us¹ in vigorous and picturesque language that “agriculture, as the greatest of all trades and industries of this country, has been practically destroyed. Sugar has gone; silk has gone; iron is threatened; wool is threatened; cotton will go! How long are you going to stand it? At the present moment these industries and the working men who depend upon them are like sheep in a field. One by one they allow themselves to be led out to slaughter, and there is no combination, no apparent prevision of what is in store for the rest of them.”

It would not, of course, be fair to take these statements literally, but no doubt the manufactures referred to are those which in his opinion are especially suffering.

¹ Speech at Greenock, 7th October 1903.

Into agricultural depression I will not enter. The seasons have been disastrous, and no change in fiscal policy could make up for the want of sun, and for torrents of rain at most inconvenient times.

Let us, however, take the other trades.

I need not, indeed, go into the case of sugar, because the Government of which Mr. Chamberlain was so distinguished a member dealt with it by the Brussels Convention.

The next of the "ruined trades" is that of silks. The silk trade is one for which France has special aptitudes and advantages. It is, moreover, a business which depends very much on taste.

Our exports of silk, yarn, etc., which were 668,000 lbs. in 1892, have slightly fallen, namely to, 646,000 in 1902 ;¹ on the other hand, our manufactures of silk have risen from 5,950,000 yards in 1892 to 9,584,000 in 1902. Silk, therefore, has not gone, and does not seem to be going.

Iron we are told is "threatened." No doubt the competition is severe. We cannot help that. But is our great iron interest holding its own? The total exports of iron and steel in 1893 were £20,600,000, in 1903 no less than £30,500,000! Moreover, the profits of ironworks, which were returned to income tax in 1893 at £2,100,000, last year were £6,600,000. This heading does not, moreover, I understand, by any means include all manufactures of iron, which would have made the increase, large as it is, much greater.

¹ Stat. Abs. 1903, p. 124 ; 1904, p. 133.

The *Iron and Coal Trades Review* has recently told us that "the first six months of the past year were quite satisfactory for both the coal and iron trades of Great Britain. In both cases we had a considerable increase of volume over the output of the corresponding period of 1902. . . . We may, on the whole, welcome 1904 with grateful and hopeful hearts, because the past has done so well for us, and hopeful, because we have emerged without serious disaster from a much more forbidding environment than that which now surrounds us."

The last on the list is wool. In this case the value of our exports in 1893¹ was £16,400,000, in 1903 was £15,900,000. It is, however, increasing. The consumption of wool, which in 1890-94 was 475,000,000 lbs., had risen in 1902 to 525,000,000. Wool, therefore, may be threatened, but so far the threats are idle!

There are certain minor—though important—industries² which have been placed in the same category, as it seems to me most erroneously. Cycles, for instance, have been referred to, but last year, while we exported 850,000, we only imported 99,000. In the case of watches, the importation, so far from increasing, is rapidly falling off, the numbers imported in 1903 being 800,000 less than in 1901. As regards lead, our exports rose from 1,030,000 tons in 1901 to 1,102,000 tons in 1903; while the imports fell from 257,000 tons to 241,000. Lastly,

¹ Stat. Abs. 1903, p. 128; 1904, p. 165.

² See the Cobden Club's pamphlet, *Fact versus Fiction*.

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in the case of wire, our exports in 1901 were 45,000 tons valued at £970,000, and in 1903, 60,000 tons valued at £1,200,000. I may add that our imports of German wire only amounted to 8300 tons.

One of our most important interests is, of course, our mercantile marine.

As regards sea-going ships the Board of Trade give the following figures¹ :—

STATEMENT SHOWING IN TONS THE COMPARATIVE PROGRESS OF
BRITISH AND FOREIGN SHIPPING

| | 1880. | 1890. | 1900. |
|--------------------------|-----------|-----------|------------|
| Russia | 467,884 | ... | 633,821 |
| Finland | 288,308 | ... | 340,715 |
| Norway | 1,518,658 | 1,705,699 | 1,508,118 |
| Sweden | 542,642 | 510,947 | 613,792 |
| Denmark | 249,466 | 302,194 | 408,440 |
| Germany | 1,181,525 | 1,433,413 | 1,941,645 |
| Holland | 328,281 | 255,711 | 346,923 |
| Belgium | 75,666 | 75,946 | 113,259 |
| France | 919,298 | 944,013 | 1,037,726 |
| Spain | 560,133 | 618,182 | 774,579 |
| Italy | 999,196 | 820,716 | 945,008 |
| Austria | 223,824 | 153,476 | 198,322 |
| Hungary | ... | 51,523 | 66,344 |
| United States | 1,352,810 | 946,695 | 826,694 |
| Japan | ... | ... | ... |
| Total | 8,707,691 | | 9,755,386 |
| British Empire | 8,447,171 | 9,688,088 | 10,751,392 |

Taking another test—the total tonnage, steam and sailing, entered and cleared, with cargoes or ballast, at ports in the United Kingdom—Sir John

¹ Memoranda, etc., 1903, p. 376.

Glover, in a most interesting paper read before the Statistical Society, gives the following figures :—

| | | | | | |
|------|---|---|---|---|------------------|
| 1850 | . | . | . | . | 32,634,000 tons. |
| 1860 | . | . | . | . | 58,707,000 „ |
| 1870 | . | . | . | . | 73,198,000 „ |
| 1880 | . | . | . | . | 133,250,000 „ |
| 1890 | . | . | . | . | 164,340,000 „ |
| 1900 | . | . | . | . | 208,777,000 „ |

These figures, moreover, are exclusive of the tonnage of British vessels employed by Government in connection with the South African War.

Not only are the figures for 1900 enormous, and the greatest on record, but they show the largest increase of any of the last five decades, with one exception.

Much has been said about the so-called purchase of some of the Atlantic lines. It is, however, rather a combination than a purchase. The money received by the shareholders has been raised by debentures, for which their shares are responsible. It is not really a sale, but a return of capital. The ships, it is understood, will remain under the British flag. Whether the arrangement will eventually be for the advantage of the shareholders will depend on whether the economies will or will not make up for the expenses involved. The position is rather complex, for the combination is an American company, though the ships are under the British flag. Some of our friends are very anxious about our food supply in time of war. The arrangement seems to me, in that important aspect, very satisfactory, as we may feel

confident that the United States could never permit the ships of an American company to be interfered with on the high seas.

Moreover, as Sir John Glover points out, though it is true that the growth of foreign tonnage in our ports has been large, "the corresponding growth under our own flag has been such that the proportion of 34·89 per cent in 1850 is only 36·35 in 1900." This result is the more surprising when we remember the bounties and other artificial advantages by which foreign Governments have attempted to foster their mercantile marine. Take France, for instance. Sir John says—

It would appear that the British tonnage in French ports exceeds by one-half all other foreign tonnage put together, and by about the same proportion does it exceed the tonnage under the national flag. . . . It is difficult to see what benefit the French Government and people have derived from the large sums paid in postal subsidies and in bounties for construction and navigation.

Between 1890 and 1900, he continues,

French imports and exports increased only 12 million pounds sterling, from 327 to 339 million pounds. That is a poor result, seeing that the French Government paid during the ten years 1891-1900 in bounties for construction and navigation nearly 5¼ million pounds sterling, in addition to over 10 million pounds sterling in subventions for postal services. It is also significant that the total entries and clearances of French shipping at French ports in 1890 was 9,254,879 tons, and in 1899 only 10,137,277 tons, and that the percentage of tonnage entered and cleared under the French flag in French ports fell from 31·9 in 1890 to 28·4 in 1899. The total tonnage of the French mercantile marine is given at 932,735 for 1889, and 957,755

for 1899. These cannot be regarded as encouraging facts for States which are contemplating the adoption of the bounty system against us.

Sir John appears rather surprised that the bounties, subsidies, and other advantages given to French shipping have had so little effect.

Is not the explanation that, while the French shipowners have enjoyed substantial advantages, on the other hand they have been burdened by bounties, subsidies, and protection given to beetroot sugar, wheat, textiles, coal, metals, and various other industries? I know of no figures enabling us to estimate these; but is not the problem whether the advantages they receive equal the disadvantages and burdens imposed on them by the bounties and protection granted to other trades?

If our shipowners receive no bounties, they are, at any rate, not burdened by contributions to bolster up other trades.

The French wine-growers, I understand, are now agitating for bounties. They urge, not unnaturally, that if they are taxed to support other trades they should themselves receive corresponding treatment.

But if all trades are equally protected, our manufacturers and merchants will pay with one hand what they receive with the other. Or rather they will pay more and receive less, because they will have to support an army of officials and custom-houses, with all the expense and loss of time of declaring values, official examinations, and all the tedious routine which is such an impediment to commerce.

If one trade is unduly favoured, industry may be diverted into directions where full benefit cannot be taken of the special advantages of the country.

The United States have unfortunately embarked on this unwise course. No doubt the coddled industries have benefited. But will other United States interests remain permanently passive? Will not the unprotected trades claim similar privileges? Will the Western farmer be content to be taxed for ever for the benefit of the manufacturer? No doubt the United States have made great progress, not, however, as I believe, in consequence of, but in spite of, their policy, and mainly owing to their immense tracts of virgin soil, the rapid increase of population, and the energy of their people. Our manufactures and commerce are constantly compared with those of the United States. But we must not forget the differences of population and of area: the former nearly doubles ours, while as regards area, the State of New York alone equals in area the whole United Kingdom!

Many people are alarmed because our imports so greatly exceed the exports. The explanation, however, is really very simple. The average difference for the last five years is £180,000,000. Now the Board of Trade estimate, and give good reason for estimating, the earnings of our ships at, in round figures, £90,000,000, and the interest on our foreign and colonial investments at another £90,000,000, which, therefore, together would just account for the difference.

But then the question arises, Has our trade been profitable? Is the country prosperous, or are we bleeding to death, as some allege? Here also the answer seems conclusive.

The increase in the income of the country as shown in the income-tax returns is astounding; it has risen from £399,000,000 in 1869 to £867,000,000 in 1902, an increase of £468,000,000 in 33 years, and though it is possible that some part of the increase may be due to more careful collection, it cannot be doubted that there has been remarkable progress in the very period during which we are assured that we have been "bleeding to death" under a system of "one-sided Free Trade."

Protectionists are in the habit of comparing the German and British commerce of 1872 with that of 1902. It must, however, be remembered that in 1872 German trade was injuriously affected by the Franco-German war, while in 1902 we were in the middle of the South African trouble.

But while I fail to see in the present position of our commerce and manufactures any reason for despondency or discouragement, we can only retain our position by the continued exercise in the future of the qualities by which it was created in the past.

Much might be done by—

(1) A wiser system of education, and especially more attention to—

1. Modern Languages.
2. Science and Technical Education.

(2) Strict economy in our national expenditure.

(3) Better relations between capital and labour.

Among other difficulties with which we have to contend might be mentioned our complex and peculiar system of weights and measures, the interference of national and municipal authorities, and unfair restrictions imposed by foreign countries.

Consul-General Michell¹ of St. Petersburg says, "One of the things that strikes nearly all travellers in Russia is the large number of travellers met, German, French, or American, and the remarkably small number of British representatives. . . . Another reason of the success of the Germans is the thorough way in which each traveller works his district, the fact that he generally has certainly two languages at his command, the fact that he never accepts 'No' as an answer, and also the amount of useful information about the country he already possesses before landing in the country itself. As an instance of this, I should like to quote a case I myself saw last winter. This was a young German travelling for a large German printing concern. He came of a good family, and was always very well turned out. He spoke, besides German, English and French fluently, and had a very fair command of Spanish and Danish, as also a smattering of Polish and Russian. His working hours were from 7 A.M. to 7 P.M. As soon as he arrived he got a good teacher and worked hard at the Russian language in the evenings. He came over with a list of most of the big Moscow houses

¹ "Report on the Foreign Commerce of Russia," *Dip. and Cons. Reports*, No. 3062, 1903, p. 40.

and their standing. He stayed in Moscow three months, and when he left he told me he had an order from nearly every big house in Moscow, whence he proceeded to St. Petersburg, Riga, etc., to carry on the same work. This is but one example that happened to come under my personal notice, but it serves to illustrate the manner in which the Germans work Russia. I need hardly add that he always quoted in kilos. and in roubles, prices lauded in Moscow."

EDUCATION

I have dealt with our educational system elsewhere, and I will here only express my deep sense of the loss to our commerce which results from the neglect of modern languages and science.

It is no use sending commercial travellers into a country unless they know the language, and as long as our schools persist in neglecting, I might almost say ignoring, modern languages, it will be impossible for mercantile manufacturing houses to find suitable representatives.

The great progress of German commerce must, I think, to a great extent be attributed to the attention given in their schools to modern languages, and to the great advance they have made in technical science, nor can we expect to hold our own unless our system of education is greatly modified. To compete in commerce without science and modern languages is like fighting a battle with bows and arrows against rifles and cannon.

We hear a great deal about "things made in Germany." Let us see whether we can in any way realise what technical instruction has done for Germany.

The development of her iron interest has been greatly owing to a chemical discovery which has enabled her ores to be worked more profitably.

As Mr. Atkinson has pointed out, "the iron of Germany had relatively an unimportant place until modern science rendered her ores containing phosphorus better than the British ores for making steel. Before the invention of the Gilchrist-Thomas process these ores had been almost useless."¹

As regards other interests, we have some remarkable and instructive figures in the Diplomatic and Consular Reports issued by our Foreign Office, especially those by Consul-General Oppenheimer, C. G. Schwabach, and especially in that by Dr. Rose of Stuttgart.

In the case of sugar the strontium process seems to be a great improvement, and no less than 90 per cent of the sugar made is now obtained by it. Among artificial sweetening substances I may refer to saccharine.

Liebig's discovery, as it may fairly be called, of superphosphate of lime in 1840 has created a great industry. In 1867 the production was 1000 tons; in 1899 it was no less than 750,000. Another result is the application of the ground slag of the Gilchrist-Thomas steel process to manuring purposes.

¹ E. Atkinson, *The Retro-Active Influence of Duties upon Imports.*

As regards colouring matters, aniline was discovered by Runge; and Mansfield, working in Hoffmann's laboratory, devised a process by which benzol could be produced from coal-tar on a large scale, thus rendering the production of aniline a commercial success. Perkin discovered mauveine in 1856, and we might have hoped to retain the industry which thus originated here, and which we have unfortunately lost. It is now most important. The artificial alizarine colour has practically replaced madder. In 1870 France produced 25,000 tons of madder, which gradually fell to a few hundred, and now even the trousers of the French troops are dyed with artificial red "made in Germany." The value of the organic dyes made in Germany in 1898 was no less than £6,000,000. A new method of making artificial indigo, said to be in every respect as good as the natural Indian dye, threatens the very existence of that great industry. The German dye-works employ about 20,000 men, over 500 academically trained chemists, several millions of capital, and are very profitable.

Perfumery is a smaller industry, but has made great strides, though full statistics are not available. I may mention, however, that the cost of vaniline has been reduced from £350 per kilo. to £6, and that the export of essential oils amounted to over £100,000. In medicines chloral and chloroform were discovered by Liebig, antipyrine by Knorr, and sulphonal by Baumann. Germany now produces 70 per cent of the quinine of the world and exports 65 per cent,

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valued at £350,000. Of smokeless powder she exported £260,000, and of other explosives, cartridges, etc., £650,000; of cellulose £1,600,000; of soluble glass 6000 tons; of ultramarine 3000 tons; of stearic acid 10,000 tons; of glycerine 5000 tons; of matches 1600 tons; of oxalic acid £650,000; of oils 70,000 tons; of white lead £218,000. I will only mention one other product which is specially interesting, namely, liquefied carbonic acid. This remarkable industry only commenced practically in 1884, when 100 tons were produced; in 1891 this had risen to 3000, in 1897 to 11,000, and in 1898 to 16,000 tons, of which Berlin alone consumed 1800 tons, or 2 lbs. of liquefied carbonic acid per head! Fifteen years ago the price was 1s. a pound, from which it fell to about 2d. The export for 1890 amounted to 4000 tons, valued at £375,000. Taken altogether these chemical industries reached a value of over £50,000,000. The results of the discoveries in electricity, metallurgy, etc., must also be placed to the credit of science and scientific education, and under these circumstances we cannot wonder at the progress made by German commerce.

At any rate, it is evident that the technical instruction of Germany has been a very remunerative investment: in the first instance a great national advantage, but a boon also to the world as a whole.

The powers of enchanters, indeed, were nothing to those of science. Science turns every stone into a philosopher's stone—turns everything into gold.

A development of commerce, won, and fairly won,

by science and skill, cannot be met by Protection. To technical education Germany owes much, and if we wish to hold our own we must follow her example. But I believe her success would have been even more striking if her trade were free. In the long run Germany will inevitably have to pay dearly for her Protective policy.

NATIONAL AND MUNICIPAL EXPENDITURE

The enormous increase in our national and municipal expenditure is another great difficulty. It does not, indeed, handicap us in relation to France, Germany, or Russia, for they are as heavily burdened as we are; but unless great reductions are made we cannot expect our manufacturers to compete successfully with those of the United States or of our Colonies.

As Mr. Atkinson, the eminent American economist, says: "The burden of national taxation and of militarism in the competing countries of Europe, all of which must come out of the annual product, is so much greater that, by comparison, the United States can make a net profit of about five per cent on the entire annual product before the cost of militarism and the heavy taxes of the European competitors have been defrayed."¹

"Such is the burden of militarism, which must be removed before there can be any competition on even terms between European manufacturers and those of

¹ E. Atkinson, *loc. cit.* p. 21.

the United States in supplying other continents, and in sharing in the great commerce of the world.”¹

LABOUR DISPUTES

Our foreign consuls in their interesting reports frequently call attention to the fact that our manufacturers have lost valuable orders because they cannot undertake to complete contracts so quickly as foreign firms. This applies especially to ironwork, bridges, locomotives, etc.

It has been due in some cases to the fact that our manufacturers were full of orders, and so far may be regarded as a matter of congratulation, but unfortunately in others the reason has probably been that the danger of strikes compels them to allow a larger margin of time than would otherwise be necessary. Strikes have unquestionably exercised, and the fear of them is exercising, a disastrous influence on our manufacturers, and though in some cases the immediate effect may have been a rise in the rate of wages, it has been dearly bought. There has been a great loss while the men have been standing idle—besides which, strikes have driven much capital abroad. They handicap our manufacturers, and I am convinced that if we had had no strikes there would have been more capital engaged in manufactures, more employment, and greater demand for men—that, in fact, the permanent effect has been not to raise, but to lower, the rate of wages.

¹ E. Atkinson, *loc. cit.* p. 23.

It is satisfactory from this point of view that, for the moment at all events, labour disputes appear to be diminishing. The total number for 1902¹ was comparatively small, and though a larger number of work-people were affected than in the five preceding years, the aggregate number of working days lost, which is the best test of the importance of a dispute, was not only less than in 1901, but was below the average for the five years covered by the Report. Altogether there were 442 new disputes in 1902, involving about 260,000 work-people, or about 2·9 per cent of the industrial population of the United Kingdom. With respect to the results of the disputes, omitting those disputes which broke out between different classes of work-people and in which employers were only indirectly interested, the balance of results in the remainder was distinctly on the side of the employers.

As usual, the mining and quarrying trades were marked by more disturbance than any other industry, and in these trades more than 200,000 persons were affected by disputes, or 81 per cent of the total number of persons involved in disputes during the year. Questions of wages were the most frequent cause of disputes, though not to quite such a marked degree in 1902 as in preceding years. Thus, of the total of 442 disputes in 1902, 267, or 60 per cent, arose under this head, but these embraced only 48·6 per cent of the persons directly concerned in disputes. Disputes resulting from demands for increased wages

¹ *Report on Strikes and Locks-Out in the United Kingdom in 1902.*

embraced 26·8 per cent of all the persons involved in wages disputes, while resistance to reductions in wages included 45·9 per cent. Altogether rather more than 56,000 work-people were involved in wages disputes affecting 5525 persons; and the percentage settled in favour of the employers was 30 per cent; in favour of the workmen, 31 per cent; compromised, 30 per cent. Thus far the two previous years bore about the same proportion.

It is to be remarked that many labour disputes are not between employers and employed, but arise from refusals to work with non-union men and other questions of trade-union rules, the proportion so involved being 21·8 per cent of all those directly engaged in the whole of the disputes of the year. The great bulk of the disputes were, as has been the case in previous years, ultimately settled by direct negotiation between the parties concerned or their representatives. Thus out of 442 disputes, 316, or 71·5 per cent, were settled in this way, embracing 86·7 per cent of all the persons involved; only sixteen disputes were settled by arbitration, and these affected only 1·75 per cent of the work-people involved in disputes, while thirteen disputes were settled by conciliation, in which 2·78 per cent of work-people returned to work on the employers' terms without negation, and in forty-seven cases they were replaced by other workers.¹

But though the number of disputes has diminished, the loss is still considerable. Mr. Llewellyn Smith in

¹ *Charity Organisation Review*, August 1903, p. 70.

his Report estimates the number of days lost in 1902 as 3,479,255, which we make roughly as representing a loss of wages of considerably over £500,000. He also informs us that the balance of the results was distinctly in favour of the employers.

But though, on the whole, the employers appear to have had the best of the conflict, we cannot estimate their actual loss at less than that to the employed, so that we may safely estimate the total loss to the country as considerably over £1,000,000. Matters might, however, have been worse, and it is satisfactory to hear that "Boards of Conciliation and Arbitration are known to have settled 673 cases during the year, in nine only of which had a stoppage of work taken place."

Strikes are certainly the worst way of settling such disputes, and I am convinced that their net result has been to drive away trade, and, on the whole, to lower wages. In the interests alike of employers and employed it will be well if wiser and more conciliatory counsels prevail in the future.

FOREIGN UNFAIR ARRANGEMENTS

In the following chapters will be found some illustrations of unfair regulations made by foreign governments. To these might indeed be added the cases in which they exclude our goods by the imposition of high duties. Still, so far as they do this at home they injure themselves more than they do us, and we have perhaps no right to complain.

On the other hand, the case is different in such cases as the annexation of Madagascar by France, and of parts of China by Russia. Before this was done we had a fair field in these countries. Now the Malagasy and the people of Manchuria are compelled to take French or Russian goods respectively. This is not only unfair to us; it is an injury also to Germany, Japan, the United States, and other countries. Their interests are the same as ours. We may point out that in India and the Crown Colonies we place the French and Russian commerce at no disadvantage. The treatment we accord to them in our territories surely we may fairly claim in theirs.

I trust our Government will hold fast by the policy of the open door; and in the case of North China, for instance, will urge the United States, Japan, and other countries to join us in insisting that the commerce of the world shall have fair play.

WEIGHTS AND MEASURES

As regards our weights and measures, a committee has been appointed by the Associated Chambers of Commerce to consider in what way the metric system can be adapted to British traditional usages, and what steps can be taken to introduce the system into practical use. A very useful table has been adopted by the committee, and they are in communication in the first instance with the London Chamber, with the view of obtaining expert evidence from different trades on the subject.

In the meanwhile a Bill on the subject has been introduced into the House of Lords by Lord Belhaven and Lord Kelvin, and has been already read a second time.

GOVERNMENT AND MUNICIPAL INTERFERENCE

Have we not carried the system of government and municipal supervision perhaps too far? Personally I have found inspectors merciful, but their powers are tremendous! In another chapter I have dealt with the question of municipal trading.

Those connected with the electrical industry especially complain of the manner in which it is being hampered, and indeed in some respects almost strangled.

THE NATURE OF TRADE

It is often said that we are a nation of shopkeepers. Yet our countrymen and countrywomen seem to have very vague ideas as to the nature of business.

They seem to think that our great cities are paved with gold, and that we have nothing to do but to go there and pick it up; whereas successful business means hard work, however able a man may be.

They seem to think that speculation is business; while we know that successful business means moderate profits, while speculation almost always ends in the bankruptcy court.

They seem to think, like the proverbial apple-

woman, that any business which is large enough is sure to leave a profit.

They seem to think that if one person makes a profit some one else must suffer a loss ; while we know that if a business is to last it must be advantageous to both sides.

They seem to think that the requisites to make a good man of business are cleverness, and smartness almost amounting to a want of scruple ; while we know perfectly well that the requisites for success in business are tact and energy, prudence and honesty.

They seem to think that the palmy days of English commerce are past and gone, that we are being undermined and ruined by foreign competition ; while we know that on the whole we are doing pretty well, and have little to complain of.

COMMERCIAL MORALITY

We often hear unfavourable opinions expressed as to commercial morality. In this respect the commercial community contrasts very favourably with Governments. It may well happen that from unfavourable harvests, or defeat in war, a country may be compelled to appeal to the forbearance of its creditors. Such, for instance, has been the case with Argentina and Brazil, but they have fulfilled their obligations as soon as circumstances permitted. Turkey and Egypt found themselves unable to pay in full, but made reasonable arrangements with their creditors to which they have honourably adhered.

But unfortunately there is a long list of other countries—Portugal, Greece, Peru, Colombia, Costa Rica, Equador, Guatemala, Honduras—which have grossly robbed those who trusted them.

No respectable firm or company would, I believe, have acted so dishonestly.

No doubt there are, unfortunately, disgraceful failures of firms and companies. But it must be remembered that successful concerns pursue the even tenor of their way, while bankrupt concerns at once figure in the newspapers. Many of our firms and companies are more than a century old. That to which I have the honour of belonging dates back to 1770.

Moreover, it will be found that with the worst failures our real men of business have had nothing to do. No bankers, merchants, or shopkeepers figure on their Boards. Designing speculators and unwary dupes form speculative, or even fraudulent, companies, and then, forsooth, we are told that commercial morality is at a low ebb!

Some years ago the London Chamber appointed a committee on this subject of secret commissions. They went carefully into the subject, and made a most valuable report, the result of which was that Sir E. Fry drew up a Bill which was introduced into the House of Lords by the late Lord Russell. The Lord Chancellor thought it too drastic, and preferred a shorter and simpler Bill, which would, I believe, go far to meet the evil. It has been carried through the House of Lords, and it is greatly to be hoped

that the Government will realise the importance of the subject and make time to carry it through the House of Commons.

CONCLUSION

On the whole, then, I think we have no reason either to be alarmed about or ashamed of British commerce and manufactures. Foreign manufacturers all proclaim that unless protected by heavy duties they cannot hope to compete with ours successfully. That very Protection, however, tends to shut foreign goods out of neutral markets, and the result of such a policy is to injure the Protective country more than us.

At the same time, I have made some suggestions, and indicated certain changes which seem to me well worth considering in the interests of our merchants and manufacturers.

CHAPTER II

FREE TRADE: OUR PRESENT POLICY

Definition of Free Trade—Imposition of duties not inconsistent with Free Trade provided they are balanced by corresponding Excise duties—The prophecies of Free Traders—Sir R. Peel on Free Trade—Free Trade must stand or fall on theoretical considerations—Statistics more useful as illustrations than as arguments—As far as they go, however, they support Free Trade—Comparison with Protectionist countries—Effect of Protection in checking trade with protecting country undeniable—Protection checks but does not prevent trade—Injury done by Protective duties in any country on its own commerce—The case of Germany—Effect of German import duties on German industries—Our trade with Protectionist countries, and theirs with one another—General argument—Who pays?—Effect of Protection on prices—French corn prices—Mill's view—Dicey's argument—Raw materials not to be taxed—What are raw materials?—Argument for Free Trade general, if not universal—Laurier on Free Trade.

IN the previous chapter I have discussed the present position of British commerce and manufactures, and endeavoured to show that there is no serious reason for discouragement. We ought, however, to do all in our power to stimulate and develop them, and many think that this might be effected by a change in our fiscal system.

It seems curious that so many of those who desire Protection announce themselves as convinced Free Traders. Indeed, Dr. Cunningham, in his paper

read before the British Association at Southport,¹ announced that it was "because he was attached to Free Trade that . . . he was eager for England to reconsider her fiscal policy." He spoke of our present system as "exhausting us."

But if he considers that Free Trade is exhausting us, why is he a Free Trader? Perhaps he would say, as indeed many do, that our present system is not really Free Trade.

What then do Free Traders mean by Free Trade? It is a fiscal system under which the Government impose no duties except for revenue, do not favour any manufacture at the expense of others, and leave trade to follow its natural course. Thus as we tax brandy and wine, we put as nearly as possible an equivalent Excise duty on British spirits, beer, and cider.

We are now being constantly told by Protectionists that this would be all very well if other countries did the same, and that our system is only one-sided Free Trade.

To use this argument is, however, entirely to misapprehend the views of Free Traders. This is no new mistake.

Prof. Fawcett, writing a quarter of a century ago, said: "Allusion has already been made to the fact that many who profess thorough adherence to the principles of Free Trade denounce 'one-sided Free Trade as an absurdity,' and assert that if other countries impose restraints on our commerce, we ought in self-

¹ *Times*, Sept. 16, 1903.

defence to impose restraints on their commerce. It will not be necessary to consider the question as one of moral right. It may be admitted that if our manufactured goods are kept out of the American markets by heavy Protective duties, we should be justified in imposing duties with the view of impeding the importation of American produce.”¹

The question is, whether it would be desirable.

Another allegation is that Villiers, Cobden, Bright, and Peel beguiled us into Free Trade by the assurance that within five years all other countries would follow our example.

For instance, Mr. Dicey says:² “ We were assured that all other countries would follow the example of England in throwing open her ports and markets to foreign competition; that every industry in England would flourish more vigorously than it had ever done before, owing to the decrease in the cost of all articles of general consumption; and that if any country should be so blind to its own welfare as not to adopt the new evangel inaugurated by the Manchester school, it would soon be shown the folly of its ways by the decline of its trade and the exhaustion of its resources. Every one of these prophecies has been falsified by events.”

The main prophecy, however, was that our manufactures and commerce would benefit by Free Trade. This, as I have attempted to show in the last chapter, has been fulfilled up to the hilt—to a degree

¹ Prof. Fawcett, *Free Trade and Protection*, p. 59.

² *Nineteenth Century and After*, 1903, p. 21.

which probably neither Cobden nor Bright themselves ever expected. In the fifty years before Free Trade our exports increased £22,000,000 only; in the fifty years after Free Trade no less than £190,000,000. Could the most sanguine Free Trader have expected more?

In a subsequent chapter I shall endeavour to show why so many other countries have adopted a different policy—a policy from which they themselves have been the main sufferers—and that we are wise to remain Free Traders whatever policy other countries may adopt.

No doubt the great Free Trade statesmen were under the belief that foreign politicians were sounder economists than they have proved themselves to be. But they never based their support of Free Trade on this belief. Sir Robert Peel, for instance, speaking in the House of Commons in 1846 said: “It is a fact that other countries have not followed our example. Nay, they have in some cases raised the duties upon the admission of our goods. Hostile tariffs, so far from being an argument against the removal of restrictive duties, furnish a strong argument in its favour.”

And again, three years later, in 1849: “I contest the principle that you cannot fight hostile tariffs by free imports. I so totally dissent from that assumption that I maintain that the best way to compete with hostile tariffs is to encourage free imports. So far from thinking the principle of Protection a salutary principle, I maintain that the

more widely you extend it the greater the injury you inflict on the national wealth and the more you cripple the national industry.”

The policy of Free Trade must, no doubt, stand or fall by general considerations. The problem is extremely complex; allowances must be made for increase of population, for new processes, for improvements in the steam-engine, economies in manufacture and transport, and the figures are liable to many considerations from other points of view.¹ For instance, rise or fall of $\frac{1}{2}$ d. a pound in the average price of raw cotton imported annually into the country makes a difference in our imports of £3,500,000, and since 1870 the price has varied from 10d. to 3d. a pound.² Still, the statistics given in the preceding chapter are remarkable, and they seem to me conclusive.

If, however, they are not sufficient, let us compare our exports and population with those of Protectionist countries.

| | Population. | Exports. |
|--------------------------|-------------|-------------------------|
| <i>Under Free Trade—</i> | | |
| Britain . . . | 42,000,000 | £280,000,000 |
| <i>Under Protection—</i> | | |
| France . . . | 39,000,000 | 161,000,000 |
| Germany . . . | 58,000,000 | 222,000,000 |
| United States . . . | 79,000,000 | 304,000,000 |
| Russia . . . | 135,000,000 | 76,000,000 ³ |

Thus if we take Germany, of which we hear so much, though they have 16,000,000 more people, their

¹ See *ante*, p. 2.

² *The Cotton Trade and Protection*, p. 2.

³ Stat. Abs. Foreign Countries, Cd. 1796.

exports are £58,000,000 less than ours. The Germans are an intelligent, capable, and hard-working people. We might well be satisfied if, man for man, our exports were equal to theirs; but as a fact, while our population is much smaller, our exports are much greater; and yet we are invited to abandon our own system and adopt theirs.

Man for man, head for head, our exports are the largest in the world. Those of the United States are £2:18s. per head; of Germany, £3:7s.; of France, £3:15s.; ours, £5:19s.¹

Thus, as Sir A. Bateman says: "The exports per head in the United Kingdom are far in excess of what they are in either France or Germany, and are still more in excess of what they are in the United States. Since 1875, also, the exports per head have been nearly stationary in all the countries named, so that no one is getting ahead of the others in this respect.² . . .

"Indeed," he adds, "measuring per head of the population we are, as we have already seen, far ahead of Germany or any other of our competitors."

On a previous page I have given our figures as compared with those of Germany for the last five years. If we go back farther, say for twenty-five, what were they? In 1877 the German exports were £160,000,000; in 1902 they were £222,000,000, showing an increase of £62,000,000. In 1877 our exports were £199,000,000; in 1902 they were

¹ According to the last statistics our figure for 1903 was £6:17:1; that of Germany for 1902, £4:1:1.

² Board of Trade Memorandum on British and Foreign Trade, 1902.

£280,000,000, showing an increase of £81,000,000, or £19,000,000 more than those of Germany.

As Germany seems to be the main bugbear, and we hear so much about things made in Germany, let us consider our trade with that country in a little more detail. Taking the imports from and exports to Germany of some of our principal products,—in 1901 we imported from Germany £617,000 of iron and steel, and exported to Germany £1,254,000; of machinery we imported £842,000, and exported £1,537,000; of woollens and woollen yarns we imported £1,582,000, and exported £3,090,000; of cottons and yarns we imported £1,639,000, and exported £3,700,000. Evidently, therefore, from the Protectionist point of view, Germany was the sufferer, and has much more to complain of!

But is there any evidence that our home trades have been injuriously affected by German competition? Comparing 1880-84 with 1896-1900 Sir A. Bateman finds that our exports to Germany have increased £5,500,000, while our imports from Germany have only risen £3,700,000. Analysing this amount he continues: "I have found that there has been some decrease in the imports of agricultural produce from Germany, balanced by an increase in the imports of sugar, and some slight increases in the imports of cotton, woollen, glass, and iron manufactures, none of which, however, are imported to any great extent. On the other hand, our exports to Germany increased by $5\frac{1}{2}$ million pounds, or over 30 per cent. This increase was largely due to one

special article—coal; but woollen yarns, cotton manufactures, iron and steel manufactures, and machinery also contributed their share. Whatever these figures show, it is clear that they do not show that there has been any material displacement of home manufactures in our home markets by Germany.”¹ And he adds that “the figures for the earlier years include £1,500,000 for live animals, the importation of which is now forbidden. If this is allowed for, and if sugar is excluded from the account altogether, it will be found that instead of an increase of £3,702,000 in the value of our ‘direct’ imports from Germany there will be an apparent increase of about £1,911,000 only.”²

Our exports to Germany in 1902 were £22,850,000—that country being one of our best customers. We also carried a vast quantity of German goods in British ships—much more than she carried of ours. No one, I presume, would suggest that we should supply these goods and perform these services gratis, and the more highly paid we are in reason, the better for us. This payment we receive in goods. If we received fewer goods, we should be less well paid. Why then should we complain of receiving so much—in other words, of being so well paid?

Canning once wrote :

In matters of commerce the fault of the Dutch
Is giving so little and asking so much ;

but the complaint now made is that the Dutch and other foreigners will insist on paying us too much !

¹ Board of Trade Memorandum, 1902, p. 13.

² *Ibid.* 1902.

Germany has no doubt made wonderful strides, owing in great measure, as I have attempted to show, to her scientific progress; but her commercial position is artificial, and far from being satisfactory in all respects. She will inevitably find that her complicated system of bounties, and subsidies, and protection, helping one trade at the expense of a second, and then the second at the expense of the first—giving bounties to manufacturers at the expense of agriculturists, and protection to agriculturists at the expense of manufacturers—will lead her into more and more intricate embarrassments.

As our able consul at Frankfort, Mr. Oppenheimer, says in a recent report :

Under cover of the Protectionist duties the syndicates were enabled to keep up prices at home in spite of the limited demand, whereby the several works were placed in a position to reduce their prices for the world's market, and were enabled more easily to compete. The difference of prices, however, fixed by the same works for sales at home and sales abroad became so great that it produced very strong comments even in the Diet. . . . They sold raw material and half-finished goods abroad at low prices, so that the home industries which worked off such raw materials, etc., were severely handicapped. These asserted (and not without reason) that the consumers of German material in foreign countries, especially in Holland and Belgium, were by these prices placed in such an advantageous position, that it was most difficult, if at all possible, to compete against their prices.

Some cases actually transpired in which German "finishing" manufacturers had to decline orders owing to the exorbitant prices of raw material, which orders subsequently passed to Holland, Belgium, and the United Kingdom.¹

¹ Diplomatic and Consular Reports, No. 3042. Trade of the Consular District of Frankfort-on-Main for 1902, p. 8.

I have already referred to the mistaken idea that while Free Trade would be good if adopted generally, it is a disadvantage if other countries are Protectionist. On the contrary, Free Trade is best in any case. The more a country shuts up its own market, the more it excludes itself from others. For instance, as I shall show more in detail subsequently, France, Germany, and the United States, by their heavy duties, have so raised the cost of the materials employed, that their shipbuilders find it impossible to compete with ours.

Look again at our trade with Protectionist countries as against theirs with one another. In 1901¹ we sent £24,000,000 into France as against £15,000,000 from the Protectionist country — Germany; and £18,000,000 from the United States. Into the protected market of the United States of America we sent £28,000,000 as against £20,000,000 from Germany, and £15,000,000 from France. Lastly, into Germany nearly twice as much as France. Protection, therefore, has not given France, Germany, or the United States any advantage in each other's markets as against us.

But then it is said that we import some things which we might produce at home. This is true, no doubt, to some extent. Machines invented in America, chemical products discovered in Germany, might no doubt be reproduced here, and it is to be hoped that in time they will be.

But, with one exception—namely, the trade which

¹ Stat. Abs. 1903, Table 21.

Germany owes to her technical education—if any class of goods are largely and continuously imported, it will almost invariably be found that this is because the country from which they come has some natural advantage.

Under these circumstances, to produce them here would be no benefit. It is best for all that every country should produce those articles for which it is best suited. Free Trade secures this. Protection, on the contrary, forces some of the capital and labour of a country into less profitable channels at the expense of the community.

Suppose, for instance, a country A exports £5,000,000 of goods (y) to B, and imports £5,000,000 of other goods (z) from B in payment. It may be assumed that A and B have each some advantage as regards the goods which they respectively export. It is said that A would be better off if it produced for itself the £5,000,000 of goods (z). Is this so?

The capital and labour required to produce the goods (z) would by the hypothesis produce less in the country A.

Let us suppose they produced £4,500,000, or nine-tenths.

The result would be, then, that in the first case we should, by the expenditure of a certain amount of capital and labour on things for which the country was suitable, produce goods (y) which would purchase £5,000,000 of goods (z). In the second case, by the same expenditure of capital and labour, we should ourselves produce goods (z) to the amount of

£4,500,000. Therefore we should be worse off to the extent of £500,000.

If, indeed, there were no imports, we should be giving away our exports, which nobody would propose.

Those who take a gloomy view of our manufacturing prospects often refer to a table given by Sir Alfred Bateman in the valuable Report which has recently been issued by the Board of Trade,¹ but which does not, I think, bear out the conclusions which have been drawn from it :—

| | Principal Protected Countries and Colonies. | All other Countries and Colonies. | Total to all Countries and Colonies. |
|---|---|-----------------------------------|--------------------------------------|
| A.—Exports of all Articles of British Produce. | Per Cent. | Per Cent. | Per Cent. |
| 1850 | 56 | 44 | 100 |
| 1860 | 51 | 49 | 100 |
| 1870 | 53 | 47 | 100 |
| 1880 | 49 | 51 | 100 |
| 1890 | 46 | 54 | 100 |
| 1900 | 45 | 55 | 100 |
| 1902 | 42 | 58 | 100 |
| B.—Exports of manufactured and partly manufactured Articles. | | | |
| 1850 | 57 | 43 | 100 |
| 1860 | 50 | 50 | 100 |
| 1870 | 50 | 50 | 100 |
| 1880 | 47 | 53 | 100 |
| 1890 | 42 | 58 | 100 |
| 1900 | 38 | 62 | 100 |
| 1902 | | | |

The table shows, what no one would deny, that

¹ Page 16.

Protective duties tend to check imports. It does not, however, indicate that our commerce with Protectionist countries has diminished. Take, for instance, Germany, France, and Belgium.

The total value of our British produce exported was as follows :—

| | | | | |
|------------|------|-------------|------|-------------|
| To Germany | 1892 | £17,600,000 | 1902 | £22,900,000 |
| „ France | „ | 14,700,000 | „ | 15,600,000 |
| „ Belgium | „ | 6,900,000 | „ | 8,400,000 |
| „ Russia | „ | 5,400,000 | „ | 8,600,000 |
| „ Italy | „ | 5,600,000 | „ | 7,400,000 |
| | | <hr/> | | <hr/> |
| | | £50,200,000 | | £62,900,000 |
| Increase | | 12,700,000 | | <hr/> |
| | | <hr/> | | <hr/> |
| | | £62,900,000 | | <hr/> |

The increase therefore has been large, though not all that could be desired.

Moreover, we must remember that, as a rule, the duties of Protectionist countries cover a part only of their trade. Sir R. Giffen has brought this out very clearly. “How small,” he says, “the protected portion is in some cases is shown by the calculations of American statisticians, that protected industries in the United States do not employ 5 per cent of the occupied population.”¹

Almost the same may be said as regards France, Germany, and even Russia. It applies also to our Colonies. Many of the duties in those countries are not, as a matter of fact, Protective, because there are no industries to be protected. They provide income,

¹ *Nineteenth Century*, July 1903.

and raise the prices which consumers have to pay, but do not create manufactories.¹

One central question on which the electors will have to make up their minds is, Can any country tax the foreigner? I believe not to any appreciable extent. It seems to me clear that as a general rule the existence of a duty raises the price rather more than the mere amount of the duty. It has been said, indeed, that the price of wheat in France, where there is a duty, is sometimes no higher than in England, where there is none.

The answer is clearly given in the Board of Trade "Memoranda,"² etc., of 1903.

"The degree of dependence of France," it is pointed out, "on foreign wheat supplies varies very greatly from year to year." It is therefore desirable to classify the years of the twenty-year period into two groups—(1) years of "minimum" importation, and (2) other years.

Even when the importation was at a minimum the price in France was substantially above that in England. When, however, France had a bad harvest, and consequently a considerable importation, the price was enhanced even more than the amount of the duty. The Report gives the following table:—

¹ Sir R. Giffen, *Nineteenth Century*, 1903, p. 13.

² *Loc. cit.* p. 125.

| | Excess of France over United Kingdom. | | Difference between A and B. |
|---|--|--|-----------------------------|
| | A Excess of Average Price of Wheat per quarter. | B Excess of Import Duty on Wheat per quarter. | |
| II. All other years of the series. ¹ | s. d. | s. d. | s. d. |
| 1883 | 2 8 | 1 1 | - 1 7 |
| 1884 | 5 8 | 1 1 | - 4 7 |
| 1886 | 7 6 | 5 2 $\frac{3}{4}$ | - 2 3 $\frac{1}{4}$ |
| 1888 | 11 11 | 8 9 $\frac{1}{2}$ | - 3 1 $\frac{1}{2}$ |
| 1889 | 12 4 | 8 9 $\frac{1}{3}$ | - 3 6 $\frac{1}{3}$ |
| 1890 | 12 2 | 8 9 $\frac{1}{3}$ | - 3 4 $\frac{1}{3}$ |
| 1893 | 11 5 | 8 9 $\frac{1}{2}$ | - 2 7 $\frac{1}{2}$ |
| 1897 | 13 7 | 12 2 $\frac{1}{2}$ | - 1 4 $\frac{1}{2}$ |
| 1898 | 11 8 | 12 2 $\frac{1}{2}$ | + 0 6 $\frac{1}{2}$ |
| Average | 9 11 | 7 5 $\frac{1}{2}$ | - 2 5 $\frac{1}{4}$ |

¹ Note.—The years 1885, 1887, 1891, 1892, 1894, and 1902 are excluded, because changes of duty either in France or the United Kingdom took place in those years.

Thus “in every year but one in which the imports of wheat exceeded the above limit (30 per cent) the difference of price was greater than that of duty, the average difference of price being 9s. 11d., and of import duty 7s. 5 $\frac{1}{2}$ d.” The average difference of price was therefore 2s. 5 $\frac{1}{2}$ d. more than the duty.

It seems evident, therefore, that taxes on food and manufactures must raise the prices of both. This is, of course, the Free Trade view, and it is also the view on which Protection is based, for the object of Protective duties is to shut out foreign goods, thus raising prices at the expense of the consumer for the benefit of the manufacturer.

Mill states this very clearly:¹ "A tax on any commodity, whether laid on its production, its importation, its carriage from place to place, or its sale, and whether the tax be a fixed sum of money for a given quantity of the commodity or an *ad valorem* duty, will, as a general rule, raise the value and price of the commodity by at least the amount of the tax. There are few cases in which it does not raise them by more than that amount."

Mr. Dicey, in the article already referred to, says:² "It ought not, I think, to be impossible to bring home to the working-man a conviction that our commercial supremacy is seriously endangered by a system under which English traders fight against foreign competitors with their hands tied."

So far from this being the case, our manufacturers fight against foreign competitors with the two great advantages of cheap food for their workmen and cheap raw materials for themselves.

The Government do not, as I understand, propose the imposition of Protective duties on food or raw materials.

This, then, only leaves manufactured and semi-manufactured articles.

Many things, however, which are classed under the head of "manufactured and semi-manufactured articles" are in reality raw materials. For instance, the class includes sawn timber, yarns, and pig-iron.

I do not know that they could do otherwise, but

¹ *Principles of Political Economy*, vol. ii. bk. v.

² *Nineteenth Century and After*, 1903, p. 30.

as a matter of fact timber and iron are really raw materials—in Cobden's graphic words "the daily bread" of our manufactures.

Processes are so much divided that many manufacturers buy semi-manufactured materials and turn them into manufactured articles. To them in their business these are really raw materials. Take the shipbuilders. We build more ships than all the rest of the world put together, and one great reason is that our shipbuilders get the semi-manufactured articles which are the raw materials of their business more cheaply than their rivals in Protectionist countries. If you tax these semi-manufactured articles you strike a blow at their trade. But the same argument really applies to manufactured articles. In a sense they also are raw materials. Steam-engines, for instance, to a cotton spinner, to a railway company, to a coal-mine, to an electric-lighting company, in fact to most manufacturers, are one of the most necessary adjuncts of their business. If you tax a manufacturer £1000 it matters little whether you put it on the steam-engine he uses or the raw material he employs. The argument against taxing raw material applies to machinery, and indeed to manufactures generally.

Again Mr. Dicey says:¹ "I have sufficient confidence in the intelligence of our fellow-countrymen to believe that they are capable of being taught that Free Trade doctrines are not, like the rules of arithmetic, capable of universal application. That two

¹ *Nineteenth Century and After*, 1903, p. 21.

and two will make four must remain true till the end of time ; but Free Trade may obviously be beneficial to any country at one stage of its development and detrimental at another."

This I entirely deny. We cannot tax the foreigner. Protection may, no doubt, benefit one trade at the expense of another, but, as I shall endeavour to show in the next chapter, it can not only not benefit, but must injure, the country as a whole.

The advantages of Free Trade are well illustrated by a story told of Mr. Bonar when he was negotiating the Austrian treaty of commerce. The Scotch were very anxious that the duty on British herrings should be reduced, and Mr. Bonar was instructed to urge this strongly on the Austrian Chancellor. The Chancellor said he was anxious to meet the views of our Government, but he asked: "In that case, Mr. Bonar, what will you do for us?" "Oh," said Mr. Bonar, "we will send you many more herrings."

The policy which would really benefit our country is not a return to Protection, but a better system of education, a reduction in military, naval, and municipal expenditure, and more harmonious relations between capital and labour.

The Prime Minister of Canada (Sir Wilfrid Laurier), in returning thanks for the Cobden Club medal, said:¹ "I was a Free Trader before I came to England. I am still more a Free Trader, having seen what Free Trade has done in England. It

¹ Quoted in *Fact versus Fiction*, p. 103.

is true the dream of Cobden has not been realised. You have what is sometimes, I believe, in this country termed one-sided Free Trade. It is true it is one-sided, but the advantage is not for those nations who have not adopted Free Trade. The impression which I have gathered from what I have seen in Europe is that England has nothing to fear for her commercial supremacy so long as she has 'one-sided Free Trade.' In Canada we can do no better than follow the example thus set us. There are parties who hope to maintain the British Empire on lines of restricted trade. If the British Empire is to be maintained, it can only be upon the most absolute freedom, political and commercial. In building up this great Empire, to deviate from the principle of freedom will be to so much weaken the ties and the bonds which now bind it together."

CHAPTER III

PROTECTION

The term seductive but misleading—Protection of certain industries at the expense of others—Effect of German Protective duties on the iron trade, wire trade, paper trade, shipbuilding, etc.—Object-lesson afforded by New South Wales and Victoria—Effect of United States Protective duties—Iron—State of German trade—State of American trade—History of the tin-plate trade—The beetroot-sugar trade—Views of M. Gambetta—Mr. Chamberlain on Protection—Log-rolling and Parliamentary corruption—Conclusion.

THE word "Protection" has a friendly and pleasant sound about it. Almost any one approaching the question for the first time would say, that of course it was desirable to protect our native industries. If the Government of a country were a sort of Providence, a *Deus ex machina*, with separate funds of its own, and if it chose to favour some trades and manufactures more than others, those not subsidised might have no reason to complain. But the revenues of Government, being derived from general taxation, should not be applied to benefit some at the expense of others.

Moreover, in practice, the term "Protection" is applied to the imposition of duties which are intended to raise prices.

It cannot be denied that certain manufactures may

thus be benefited for a time; but in considering any system we must of course judge it by its effect on the country as a whole. Moreover, as the profits of various trades tend always, if slowly, to equalise themselves, even those who are favoured, only retain their advantage for a time.

Let us now take the German duties: have they been for the advantage of Germany as a whole? In order to judge we must look beyond the protected trades themselves.

Our Government, we know, do not intend to tax raw materials. They say justly that this would be seriously injurious to our manufacturing interests. But what are to be included under raw materials? The Board of Trade returns place semi-manufactured and manufactured articles under one head, which includes, for instance, sawn timber and pig-iron. I do not know that they could do otherwise, but semi-manufactured articles are really the raw materials—to use Cobden's expression, "the daily bread" of other manufactures.

Sir A. Bateman in his Memorandum¹ calls attention to this, and refers, for instance, to tin-plates, boiler-plates, sheet metal generally, wire of all sorts, textiles, alkali, nail rods, paper for printing, unwrought steel, chemical dyes, bleaching materials, watch and clock fittings, etc.

The effect of Protective duties on such goods seriously handicaps the manufactures in which they are used.

¹ Board of Trade Memorandum, 1902, p. 17.

Of this the Board of Trade Report gives interesting particulars, showing in many cases how the German Protective duties injure Germany and benefit us. They quote¹ a remark by M. Sayous in his work on German trade, that foreigners—*i.e.* foreigners to Germany—“are able to purchase from the German mines, blast-furnaces, and steel works at prices materially lower than we (*i.e.* Germans) can buy, and on the basis of these purchases of materials the state of the foreign market for our (German) finished manufactures becomes increasingly bad.”

The German manufacturers who work up half-finished steel products complain “that sales had been made abroad at very low prices, far below the prices ruling in Germany (*e.g.* blooms f.o.b. 80, and, subsequently, 72 marks), which made it possible for the Belgian and English rolling-mills to lower their prices, and quite ruined the (German) foreign market, with consequent evil results to the German manufacturers who work up half-finished metal products.”

One result of this has been that “the building of boats for the Rhine river navigation has passed over almost entirely to Holland, because the works in the Rhenish-Westphalian district producing heavy plates deliver in Holland at lower prices than in the interior of Germany.”

The Board of Trade conclude this part of their inquiry by the remark that English makers of tin plates and sheets “would at certain times have been placed in a position of some difficulty if they

¹ Board of Trade Memoranda, etc., 1903, p. 302.

had not been able to reckon on foreign supplies for keeping their works in full activity."

Again, the Report for 1902 of the Cologne Chamber of Commerce complains that German half-manufactured wire goods "are sold in the trade centres of England at 10s. a ton less than in Germany," and the result is that "the German finished wires cannot be exported to Great Britain," and of course are heavily handicapped elsewhere. Mr. Chamberlain, indeed, speaking at Liverpool, described our wire industry as practically extinguished. Surely, however, he has been misinformed. The exports of British wire have increased from 45,000 tons valued at £970,000 in 1901 to 60,000 valued at £1,200,000 in 1903—an increase of no less than 33 per cent.¹ So also "the members of the Kartell of the heavy plate trade, who buy steel from the Kartell of the half-finished steel trade, complain 'that their Belgian rivals, who are working up German materials, have a cost of production lower than their own by 10 marks.'"²

In regard to the paper-making trade, M. Raffalovich relates that "in order to clear the home market of stocks, the Kartell presses the export trade; paper is offered for export at 10 to 15 per cent less than the home trade price; the wholesale dealers at Hamburg get for 19 or 20 pfennigs what is sold at 22 or 23 to German buyers in the home trade. But since some of these German buyers are manufacturers of paper goods, who export one-half

¹ *Fact versus Fiction*, p. 67.

² Board of Trade Memoranda, etc., 1903, p. 305.

of their output, they find themselves in a condition of inferiority in foreign markets which are supplied by the Kartell on better terms than themselves."

Thus, as the Board of Trade points out,¹ "One striking result of the dumping policy of the Kartells, of which some examples have already been given, but which deserves further illustration, is that by supplying manufacturers abroad with materials at low prices the German syndicates make it possible for these foreigners to compete on very favourable terms with their rivals in Germany in regard to the sale of finished products."

Thus, while their artificial and elaborate system has artificially fostered and coddled some of their trades, it has injured and practically destroyed others.

The effect of the German system on our manufacturer is even more fully dealt with in a subsequent part of the Report, which is most interesting. For instance, the writer quotes² *Ryland's Circular* of November 9, 1901, as expressing the opinion that "we (in England) require all the steel and pig-iron they (the Germans) are sending us, as it is impossible to get from our own blast-furnaces and steel-works sufficient ingots, blooms, or forge pig-iron to keep our works going. Competition could not have come at a better time, and we can rely upon the German steel as well as we can upon our make."

In the summary for 1901 the *Circular* says: "During the months of August, September, October, and November, large quantities of German steel were

¹ Memoranda, etc., 1903, *loc. cit.* p. 304.

² *Loc. cit.* p. 309.

sent into the country at prices which left a good profit for our manufacturers here when they were rolled down. This German steel found its way to every steel-making centre. . . . Many sheet mills would have had to have stopped in consequence of the high price of pig-iron if it had not been for German steel, and it cannot be said that the late advent of German steel has done any harm, but that it has actually supplied a want.”¹

On January 11, 1902, the *Circular* complains that the steel sheet branch “bids fair to be troubled on account of the withdrawal of the German sheet bar makers.” On December 27, 1902, it reports that “German steel has continued to play a prominent part in bars, sheet and other rolled sections, and has been profitably worked up in nearly every district in England.”

I have dwelt upon this because it is so important to realise the real effect of these semi-manufactured articles, and I might quote other passages which are given in the Report, but the above are sufficient to show that our manufacturers and consumers have in many directions greatly benefited by the cheap half-manufactured materials with which Germany has supplied us, while Germany herself has been seriously injured by her Protective policy. I have already quoted a remark as to the effect on the Rhine shipbuilding trade, and as regards shipbuilding in general the figures are a striking comment on the Protectionist policy of Germany, France, and the United States.

¹ Board of Trade Memoranda, etc., 1903, p. 345.

The Board of Trade tells us¹ that in consequence partly of getting "semi-manufactured" articles cheaply we built in 1901 over 980,000 tons of shipping, against 102,000 built in Germany, 106,000 in France, and 469,000 in the United States; so that we built more than Germany, France, and the United States put together.

In the same way the great American economist, Mr. Atkinson, points out how seriously the manufacturing industries of the United States are injured by their Protective duties. This, he tells us, is beginning to be understood, and when a Free Trade policy is adopted American competition in neutral markets will become much keener.

"The repercussion," he says, "of these duties on wool, hides, and chemicals burdens the domestic manufacturers of woollen and worsted fabrics, of boots, shoes, and leather goods, and of printed and dyed fabrics, preventing our attaining any considerable place in exports, while protecting our competitors in European countries who are not subjected to these heavy taxes. But these duties are now doomed, and will very soon be removed. We shall then take a place in the exports of woollen textiles, of leather, and the like, corresponding to the place which we have taken in medium cotton fabrics, in metal works, in agricultural machinery, and the like, since the duties on crude metal became inoperative."²

"As these facts become known, the policy of

¹ Memoranda, etc., 1903, 1771, p. 379.

² E. Atkinson, *The Retro-Active Influence of Duties upon Imports*, p. 17.

Protection is being steadily weakened, and must soon give way. The representatives of many branches of the collective or factory system of manufacturing, especially in the West, are now combining to secure the removal of obstructive duties and the ratification of pending treaties of reciprocity.”¹

We hear a great deal about the iron and steel industry of the United States, but Mr. Atkinson has calculated that the result of the duties on iron and steel in the United States was, that in the ten years 1880-1890 the railway companies, the iron-founders, machinists, and other consumers of iron in the United States paid for iron, in excess of the prices paid by their competitors in Europe in ten years, a sum greater than the capital value of all the iron and steel works, furnaces, and rolling mills existing in 1890 in the whole country. This sum stands for the cost of Protection to iron and steel for ten years of largest consumption to that date.²

These duties have crippled American industry in various ways. For instance, the “Atlantic Transport Line” recently had four similar ships built—two in Belfast and two in Philadelphia. The American-built ships cost £380,000 each, while the Belfast ones cost £292,000.³

Australia affords us a most instructive object-lesson. New South Wales is an illustration of Free Trade. Victoria unfortunately abandoned Free Trade

¹ *Retro-Active Influence of Duties upon Imports*, by E. Atkinson (Boston).

² *Ibid.*

³ “Shipping and Subsidies,” by Benjamin Taylor, *North American Review*, April 15, 1903.

and adopted Protection.¹ “All the best”—I quote from the Rt. Hon. G. H. Reid’s “Letter to the Electors of the Australian Commonwealth”²—“all the best and brightest pages of the progress of Victoria were under the Free Trade policy; but for the past twenty-five years Victoria has been, and is, distinctly a Protectionist Colony. The only distinctly Free Trade Colony (in Australia) is New South Wales. The remainder are Colonies which collect a high Customs revenue for revenue purposes. Has the policy of restriction ‘boomed’ the Victorian farmers or artisans? Do they not show a greater tendency to ‘move on’³ than the people of any other Colony? Is there any buoyancy in the labour market of Victoria? Are wages higher or lower than they were twenty-five years ago?”

“Instead of the ruin and distress predicted by all Protectionist authorities, whilst the spread of agriculture in New South Wales from 1788 to 1894 was only 1,206,000 acres, that growth of 106 years was doubled, in spite of the Free Trade policy of the late Government, rising from 1,206,000 to 2,439,000 acres in 1899-1900. In Victoria the area under cultivation in 1894-95 was 2,980,000 acres, and the last return shows a total of 3,820,000; 28 per cent in Victoria, against 100 per cent in New South Wales.

“Victoria has spent many millions on the manu-

¹ The policy of Victoria has been described by a witty Australian Free Trader as being that “no foreign manufactures shall be admitted except on payment of a sum which should keep them out.”

² Senator Pulsford’s *Our Country*, Sydney, July 7, 1900, p. 3.

³ *i.e.* Emigrate.

facturing interest. Yet the figures for New South Wales are better. The total number of hands in each case, according to the latest figures procurable, is as follows :—

| | Males. | Females. | Total. |
|---------------------------------|--------|----------|-----------------------|
| Victoria, 1896 | 40,631 | 14,147 | 54,778 |
| New South Wales, 1899 | 47,063 | 8,583 | 55,646 " ¹ |

The imports of Victoria, which were £23,000,000 in 1890, fell to £18,300,000 in 1900, a decrease of £4,700,000 ; while the imports of New South Wales, which were £22,600,000 in 1890, rose to £27,560,000 in 1900, a rise of £4,960,000. The difference between the two being no less than £9,650,000 !

The exports of Victoria were £13,600,000 in 1890, and £17,422,000 in 1900, a rise of £3,800,000 ; while the exports of New South Wales, which were £22,000,000 in 1890, rose to £28,164,000 in 1900, a rise of £6,164,000 !

The imports of Victoria in 1899 were £15 : 4 : 9 per head, as against £19 in New South Wales ; and the exports £16, as against £21 : 2 : 11.²

In 1866 the population of Victoria was 200,000 more than that of New South Wales ; now the difference is reversed, the population of New South Wales being 200,000 greater than that of Victoria.

So serious was the depression in Victoria four years ago that Sir George Turner, the Premier, appointed a Board of Inquiry "to investigate and

¹ Letter from the Rt. Hon. G. H. Reid, printed in *Senator Pulsford's Our Country*, Sydney, August 25, 1900.

² Colonial Stat. Abs. 1903.

report as to the best means of helping the unemployed, and upon the causes and remedies for want of employment." They pointed out in their report that while the population of New South Wales from 1891 to 1898 had increased by 35,000, in Victoria during the same period there was a diminution of 104,000. And yet while Victoria was suffering from want of employment, no such difficulty existed in New South Wales. It was suggested to them that the true explanation was the Free Trade policy of New South Wales and the Protective duties of Victoria, and the Board reports that without absolutely adopting this view, it "would fail in its duty were it not to point out that the Free Trade view of the origin of these phenomena may be correct."¹ Of this there can indeed, I think, be little doubt.

It is sometimes asserted that by permitting complete freedom in commerce a country may be under-sold in all its industries. This is, however, as Mr. Armitage Smith has clearly pointed out, "an impossibility, since it would imply importing without exporting; but trade is exchange, the nation that buys must sell: the one fact is the correlative of the other. A nation with nothing to offer cannot buy, and if foreign goods come into a country some other articles must go out in exchange."²

As regards the "dumping" of German goods on our markets, from which we are supposed to suffer so much, the principal complaints we hear are about

¹ Report quoted in *Our Country*, Sydney, August 25, 1900.

² *Free Trade Movement and its Results*, p. 103.

woollen, cotton, and iron manufactures. But if it be an injury to us to receive from Germany £1,500,000 of woollen manufactures, £1,100,000 of cotton manufactures, and £600,000 of iron, we retaliate by dumping down on them £4,100,000 of woollen manufactures, £2,250,000 of cotton, and £1,000,000 of iron. Surely then from this point of view we have nothing to complain of?

The rich variety of our manufactures is, on the whole, a great advantage. It rarely happens that all are depressed together. If trade is slack in some directions, it is often brisk in others. On the other hand, we can hardly be surprised if there are some industries which are suffering.

But what is the condition of our Protectionist neighbours? Is the trade of Germany, on the whole, at the present moment more prosperous than ours? The *Times* correspondent at Berlin recently reported (November 13, 1902) that "the memorial which was recently presented to the Imperial Chancellor by the Commercial Treaties Association with reference to the tariff question is published this evening. . . . The Association, which has only been in existence for two years, numbers 17,000 members and 19,000 adherents, who almost all belong to the industrial and mercantile classes. . . . They give employment to about 1,500,000 persons, on the earnings of whom it is estimated that 3,500,000 persons depend, so that the Association may actually be said to represent the economic interests of 5,000,000 persons. Regarding the present economic condition of Germany, the

memorial speaks as follows:—‘For two and a half years the whole economic life of Germany has been in a condition which bears the character of a crisis. Although this crisis did not originate solely in the uncertainty with regard to commercial policy . . . that uncertainty has, nevertheless, beyond the possibility of a doubt, greatly contributed to intensify and prolong the crisis.’ They, therefore, urgently request that, in view of ‘the present altogether intolerable situation,’ the existing treaties of commerce should be prolonged for ten, or at least for five years, and they incidentally observe that a mere prolongation from year to year would simply be tantamount to the proclamation of a ‘crisis in permanence.’” . . .

Lord Goschen, speaking at the Queen’s Hall meeting last year, stated, as the result of his inquiries, that “in Berlin and the district the metal-workers amounted to about 72,000, of whom the greater part worked short time. Compared with October 1900, from 18,000 to 19,000 fewer were employed. In Magdeburg, of 15,000 metal-workers the larger number were on short time. Discharges were continually reported, and in January the number of unemployed amounted to 2000. Town after town is represented in this way. In Barmen and Elberfeld 1800 out of 4000 work reduced hours. Altogether 400 to 500 were without employment.”

As regards America, the *Economist* recently said: “When the great Steel Company decided to shut down a number of its mills, the latest straw was placed on the back of the business camel. Railways

are buying fewer cars and less bridge work. Building in New York, Chicago, and other cities is suspended because of labour troubles. In Colorado the entire State militia are in the field in an attempt to keep the peace between the Cripple Creek miners and their employers. A spirit of unrest prevails among the soft-coal miners of Maryland. The great woollen goods strike in Pennsylvania has proved a failure. Four thousand workers had to own themselves beaten, and the effect on the textile industry was far from happy. One-twelfth of the cotton spindles in the United States stand idle. There is a slackening of demand for retail goods all over the country."

TIN PLATES

Let us from this point of view take the recent history of another "ruined industry" of which we hear a great deal—that of tin plates. On this subject we have an excellent Memorandum by Sir John J. Jenkins, who speaks with high authority and an intimate knowledge of the business, from whom most of the following facts are taken.

Tin plates are sheets, almost films, of tin spread over a thin layer of steel. The manufacture began in 1778, and remained a Welsh monopoly until 1891, when the United States Legislature imposed the high duty which is complained of, and which led to the manufacture of tin plates in that country. The result is very instructive.

In 1862 our manufacture amounted to 1,000,000

boxes, of which 591,000 were exported to the United States. In 1889 it had risen to 8,600,000, of which 6,700,000 went to the United States.

The American agitation was for a duty of 100 per cent, equal to the whole value. The agitation gave rise to a feverish excitement in the trade. In the nine months before July 1, 1901, when the duty came into force, we poured an immense supply into the United States, and sold them at a rise of over a dollar a box, so that our manufacturers made a gigantic profit.

When the tariff came into operation the price of tin plates in the United States rose in proportion, and in fact was almost doubled. This proved disastrous to the American industries dependent on tin plates. As Messrs. Trench and Co. said: "The wrappers to preserve the farmers' or fishermen's products cost as much as the contents." The persons interested in the use of the tin plates were estimated at 2,000,000; those employed in the manufacture were only 15,000! but the 2,000,000 were injured in the vain hope of benefiting the 15,000. One of the results was that millions of bushels of vegetables and fruit were allowed to rot on the ground because it did not pay to can them. It used to be said that the fruit-growers and fishermen eat all they can, and can all they can't. But the high price of tin plates rendered the latter process more expensive and sometimes impossible. Moreover, the canning interest elsewhere received a great stimulus. Canadian fish and tropical fruits could be packed far more cheaply than corresponding products of the United States. Our manufacturers

were even able to send jams, marmalade, etc., and undersell their American rivals.

Thus if our tin-plate makers were almost excluded for a time from the United States, our own and other markets took a larger quantity.

Gradually the outcry in the United States became so great that the duty was lowered to 1·2 cents per lb., raised again afterwards to 1·5. There is, however, a drawback of 99 per cent of the duty allowed for re-export, and the consequence is that practically the whole of the canned goods exported from the United States are packed in Welsh tin plates.

Consul-General Bennett, in his Report on the trade, commerce, agriculture, and other matters of interest in the States of California, Nevada, Utah, and Arizona, for the year 1902, points out that many of the largest employers of tin plates in the United States, such as the Standard Oil Company and the great canning companies of California, prefer Welsh plates, because when they are used for exporting "American oils, fruit, etc., it is possible for the exporter to secure from the Custom-house a rebate of 99 per cent of the Customs duty paid on entry under the Dingley tariff. . . . The granting of this rebate has indeed produced at the same time another effect. Californian packers of tinned goods will not buy any American-made tins unless the seller will reduce the price by a sum equivalent to the rebate of 99 per cent of the duty on foreign tins. The rebate, therefore, works two ways, first to encourage Welsh tin plates,

and secondly, to keep down the price of American. The rebate on the Welsh tin is sufficient to place the Californian tinned goods on the British market free of cost for freight and insurance. Hence it results that Californian fruits are sold as cheap or even cheaper in London than in San Francisco.”¹

Thus the net result of this action on the part of the United States to protect an industry supporting 15,000 persons, who might have been more profitably employed in other pursuits, has been to hamper businesses employing 2,000,000 people ; to compel them to pay more for tin plates ; to raise the price of all canned fish, fruit, etc., and to give us American fruit and fish from California at less than the same articles cost at San Francisco ! Sir John Jenkins tells us that the money thus spent by the United States would cover twice over all the cost of the existing tin-plate manufactories, and handsomely pension off all the 15,000 persons now employed !

Now what has been the result to our Welsh tin-plate industries ? During the year preceding the imposition of the duties our manufacturers made immense profits, which enabled them to tide over the period of depression which immediately followed the imposition of the duties.

This, however, did not last long. The pure air of Free Trade soon began to revive the industry. The home consumption increased. In 1891 our exports to countries other than the United States were

¹ Diplomatic and Consular Reports, No. 2988, June 1903, p. 11. Trade of the States of California, Nevada, Utah, and Arizona.

2,500,000 boxes, in 1896 they were 4,000,000, and in 1902 no less than 6,600,000! while Sir J. Jenkins estimates that the increase in home consumption is over 2,000,000 boxes. He puts the exports in 1889 at 8,600,000, and we might probably put the total production at 11,000,000. At present it is true that the number of mills has diminished, but the production per mill has increased, and the total production has risen to 12,000,000 boxes and is still rising. The number of persons employed was 17,000 in 1896, and has increased to 20,000 in 1902.

The history of the tin-plate industry is certainly not an argument for, but a warning against, Protection.

BEETROOT SUGAR

Take again the beetroot-sugar interest. Up to a certain time practically no beetroot sugar was made in Europe. It could not compete with cane sugar, and the land could be more profitably employed in other ways. But first one Government and then another was persuaded to grant bounties in order to foster the production of beetroot sugar. In this way they created, no doubt, a flourishing industry. Land was diverted from other crops to the cultivation of beetroot, capital was diverted from other industries to the erection of sugar mills, labour was tempted from other occupations to the manufacture of sugar, and a flourishing industry was created, or rather was produced.

That is one side of the picture. Now let us look at the other.

The land would have produced more under other crops; but for the bounties no beetroot would have been—before the bounties none was—grown for the manufacture of sugar; but for the bounties no sugar factories would have been built. The industry was not, in fact, created, *i.e.* made out of nothing, but built up on bounties.

Who paid the bounties? The unfortunate taxpayer. He paid heavily, and did not get his sugar so cheap. Gradually the burden became so onerous that the system has broken down. The bounties are given up. The price of sugar has fallen on the Continent, and the consumption has risen over 40 per cent. Part of this is no doubt due to the shops having allowed their stocks to run down in anticipation of the fall in prices, but those connected with the trade believe that more than half of the increase is due to a greater consumption by the public.

Mr. Dicey tells us that “the opinion of the ‘civilised world,’ about which we used to hear so much during the Boer War, is dead against Free Trade.”

I do not quite understand the inference which Mr. Dicey wishes us to draw from this. He considered that the opinion of the “civilised world” was entirely in error during the Boer War; why then does he flaunt it in our faces now? He regards them as altogether wrong in the one case; why then does he consider them infallible in the other?

But is the fact correct? In practice, no doubt, most countries are Protectionist, though by no means

all, and even in Protectionist countries many, and perhaps those best qualified to judge, are Free Traders. Why then are the deputies and Governments Protectionist? Take France for instance. Years ago I discussed the sugar bounties with M. Gambetta. He was open-mouthed as to the injury they inflicted on France, and denounced them in no measured terms. But he said "they fill the pockets of certain rich manufacturers, who spend large sums in agitation, while the public remain passive. If I were to attack them I should raise rich and powerful enemies. Therefore I say nothing till other, even more important, subjects are settled. Then you will see." If he had lived, I doubt not they would have been abolished long ago, and France would have saved millions. Everywhere the interests which are, or hope to be, Protected are organised, active, and profuse in spending their money. I do not say they are dishonest, because I believe they have convinced themselves; but they must admit that they are not in a position to exercise an unbiassed judgment.

On the other side the unprotected industries and the consumers are comparatively unorganised, except in a few countries.

It was comparatively easy to carry Free Trade in this country, because it was the food of the people that was mainly "protected," and the advantages of cheap food appealed to the masses of the people.

The true spirit in which to meet the Protectionist legislation of foreign countries is that expressed by

Mr. Chamberlain at Bordesley in 1885, when he said :¹ “Every one of these countries puts a duty upon screws from abroad. We, as you know, were perfectly open. Any one could send screws without paying any duty at all. Now, then, what was the result? This was a case of hardship! According to the Fair Traders we ought to have gone whining about the country asking for Protection for this wretched manufacture of ours, which was threatened by foreign competition. Now what was the fact? The fact was this: that at the time of which I am speaking we sent screws into every country in the world, and no country in the world was able to send screws here. Who benefited by it? Well, we did. . . . My firm received a handsome income for years from the American manufacturers, protected as they were by the folly and stupidity of the Protectionist legislation.”

Protection is advocated on two inconsistent grounds. Even Mr. M'Kinley, for instance, in his message on the occasion of his taking office, spoke of “checking deficiencies in revenue by Protective legislation, which is always the firmest prop of the Treasury,” and yet extolled “the Reciprocity law of 1890, under which a stimulus was given to foreign trade.” Evidently, however, so far as it increases the revenue it does not serve as Protection; and if it serves as Protection, it must evidently check, not encourage, foreign trade, so that it cannot give revenue.

It is easy to start on the tempting path of Protection.

¹ Quoted in *Fact versus Fiction*, p. 73.

At first it is probably small in extent, and confined to a few trades. Then others put in their claim. They say, not unnaturally, You protect such a trade, why do you not extend the same advantage to us? To such a plea no logical answer can be given. What you do for one industry you cannot fairly refuse to another. By degrees the fatal network of Protection spreads over the country. Moreover, the first time a period of depression comes, as they inevitably do, there is a cry for more Protection, and the principle having been conceded, this is difficult to resist. The result is, that a number of industries are artificially fostered, vested interests grow up, works are built, machinery is erected, and it becomes more and more difficult to abolish the system. We only escaped from Protection before through the bitter agony of famine.

The length to which our fathers went may be illustrated by the fact that though the importation of butter was permitted, the Custom-house authorities were instructed to have a stick covered with tar struck through every firkin, so as to render it useless for food!

Again, "no sooner was it seen that cotton goods would be largely used than a demand arose that British wool and flax should be protected from such an encroachment. Accordingly, in 1721, a law was passed imposing a penalty of £5 on the wearer, and £20 on the seller, of a piece of calico. Fifteen years later, calicoes manufactured in Great Britain were allowed to be worn, "provided that the warp

thereof was made entirely of linen yarn." In 1774 printed calicoes subjected to a duty of 3d. a yard were allowed to be worn. This duty was raised to 3½d. in 1806. Raw cotton was at the same time subjected to a heavy import duty. The persistent attempts which were thus made to impede the manufacture of cotton in England afford a striking example of the mischief which a Protective policy is liable to produce."¹

Moreover, taxes on food are the worst of all; they are, as Adam Smith said long ago, "a curse equal to the barrenness of the earth, or the inclemency of the weather." We are now, indeed, assured that Protection would raise wages; experience, however, has shown that while under Free Trade wages have risen, the prices of most necessaries have fallen. Thus, writing in 1878, Sir James Caird² estimated that the wages of the agricultural classes had risen 60 per cent since the repeal of the Corn Laws; and Sir R. Giffen, in a paper on "The Progress of the Working Classes," read before the Statistical Society in December 1883, made a similar statement.³ We will, however, consider this part of the question in a subsequent chapter.

But suppose high prices did tend to raise wages, such a change would necessitate a rise in prices, and a rise in prices would, of course, seriously cripple our manufactures in the competition of the world. A difference has, I see, been drawn between raw

¹ Prof. Fawcett, *Free Trade and Protection*, p. 33.

² "The Landed Interest."

³ Quoted in *The Free Trade Movement and its Results*, by Armitage Smith, p. 170.

materials and food. It is understood that the Government would not, under any circumstances, consent to tax raw materials. But, in the long run, a tax on food would hamper our manufactures in the same way as a tax on raw materials. The word "Protection" sounds well, but it is misleading. The fact is that a country can only protect one trade at the expense of the others. Germany, for instance, is held out to us as an example, because she subsidises her shipping, gives bounties to sugar-growers, protection to farmers, to metals, to textile and various other industries. But who pays? Germany cannot tax France, or Russia, or the British Empire. Her own people have to bear the expense. The unfortunate German manufacturer finds the food of his family and work-people raised by the protection of agriculture; his children have had to pay more for their sugar in consequence of the sugar bounties; his clothing, and that of those dependent on him, is dearer on account of the taxes on foreign tissues; he has to pay more than he need for any manufactures or machinery he has to buy; and he is taxed to promote canals and to subsidise steamship companies.

Another and most serious result which inevitably follows from Protection is the injurious effect on political life. The agriculturist and manufacturer in Germany have to watch and often to fight in the Reichstag, or there is no knowing what additional burdens might be imposed upon them. And, over and above all the other uncertainties of commerce,

he never knows whether his own Government may not ruin him, either by subsidising some rival industry, or by depriving him of some special privilege.

In France, as we are told by M. Yves Guyot, who speaks with so much knowledge and authority, "The whole art of M. Méline, who has been the Protectionist leader for close on 25 years, has consisted in uniting groups of often contradictory interests, paying court to them, effecting bargains between this and that party, always to the detriment of the consumer, who is the general public. The policy of studying the general interest is left out of account. 'Beetroot strikes a bargain with wine; cotton and iron come to an understanding.' There in a nutshell you have the rôle which Protectionism plays in Parliamentary life."¹

The following scathing indictment of Protection, delivered some years ago by Mr. Bayard, then United States ambassador to Great Britain, in a speech before the Edinburgh Philosophical Association, shows how Protection has lowered the tone of public life in the United States:—"In my own country I have witnessed the insatiable growth of that form of State socialism styled 'Protection,' which, I believe, has done more to foster class legislation and create inequality of fortune, to corrupt public life, to banish men of independent mind and character from the public councils, to lower the tone of national representation, blunt public conscience, create false

¹ "Mr. Chamberlain's Programme in the Light of French Experience," by Yves Guyot, *The Fortnightly Review*, July 1903, p. 4.

standards in the popular mind, to familiarise it with reliance on State aid and guardianship in private affairs, divorce ethics from politics, and place politics upon the low level of a mercenary scramble, than any other single cause."

Again, the eminent American economist, Professor W. G. Sumner, tells us: "This continual law-making about industry has been prolific of industrial and political mischief. It has tainted our political life with log-rolling, presidential wire-pulling, lobbying, and Custom-house politics. It has been intertwined with currency errors all the way along. It has created privileged classes in the free American community, who were saved from the risks and dangers of business to which the rest of us are liable. It has controlled the election of Congressmen, and put inferior men in office, whose inferiority has reacted upon the nation in worse and worse legislation. Just now we are undergoing a spasm of indignation at official corruption, and we want to reform the civil service, but there is only one way to accomplish that, and that is to cut up the whole system which has made the Civil Service what it is."¹

It would therefore seem to be conclusively established that Protection may produce social and political consequences as mischievous as, or even more mischievous than, the economic loss it causes to a country.

It introduces, in fact, a subtle and most dangerous form of bribery. The result is that time and energy, which might otherwise be given to the business itself,

¹ Sumner, *Lectures on the History of Protection in the United States*.

is wasted, or worse, in the attempt to put pressure on Ministers or to influence Legislatures.

The best thing Government can do for commerce is to let it alone. Trade is uncertain enough without these artificial complications. Under Protection, in addition to all other problems, the merchant and manufacturer have to consider the intentions of Government and of Parliament. Parliament itself is distracted, and tempted by the claims of rival industries. The temptations to "log-rolling" are greatly increased.

In his important speech at the great Guildhall meeting on the 8th February last, the Duke of Devonshire gave a graphic description of Mr. Chamberlain's Commission. "I should like," he said, "not now but at some future stage, to be allowed to assist at some of their deliberations. Everything for the present goes smoothly enough. The various groups of which this Commission is composed will have little difficulty in arranging the tariffs which they think will be adequate to protect their own interests. But when they come to put their tariffs together, and when each group discovers what it is expected to pay in return for what it hopes to receive, then, I think, the trouble may begin. But, gentlemen, what is to happen after this tariff has been agreed upon; what is to be the fate of the common consumer? Every one of us, in every class, from the highest to the lowest, is a consumer, and in proportion to their means the working-classes are the greatest consumers of all. There must be thousands and thousands of

men who are engaged in trades or industries which no tariff can protect. For them the only prospect that is in store is that they are to be relieved from the spell under which they have hitherto suffered—the demon of cheapness. Mr. Chamberlain promised us that when he had time he would preach a sermon on that text. I have been waiting for that sermon; it has not yet been preached. I have not heard that it has been preached at the recent elections. I have not heard that the walls of towns where elections have been going on have been covered with pictorial representations of the demon of cheapness; I have not heard that the advantage of paying more for their food, more for their housing, more for their clothing, more for every necessary of life, has been found a topic particularly attractive to the constituencies.”¹

What, then, would be the effect of revising our present policy and adopting Protection?

Firstly, we shall have the expense of additional officials and Custom-houses, which will involve no slight expense.

Secondly, it will be a considerable impediment to trade, because not only must bales, etc., containing the taxed articles be examined, but others also, to see that they do not contain taxed goods. Besides which, difficult questions will arise as to smuggling.

Thirdly, the agriculturists and other consumers will have to pay heavily for the benefit of the manufacturers.

Fourthly, the manufacturers and other consumers

¹ *Times*, February 9, 1904.

will have to pay heavily for the benefit of the agriculturists.

Fifthly, as the advantage or disadvantage to any class will depend on the amount of the Protective duties they have to receive, as compared with those they have to pay, there will be a constant struggle in Parliament, and we have an alarming vista of bribery and corruption.

And sixthly, we shall raise acute and probably angry questions with foreign countries and our own Colonies, some of which are amongst the countries with high Protective duties.

So far then as the fiscal side of the question is concerned, though we have certain just grounds of complaint, there is, I submit, no reason for any departure from the policy under which our commerce and manufactures have so greatly flourished.

CHAPTER IV

PREFERENTIAL TRADE

Desirability of closer commercial relations with Colonies—We have done our part—Colonial commodities admitted into mother-country free; products of mother-country, on the contrary, taxed in our Colonies more or less heavily—With India, on the contrary, we have Free Trade—Colonial duties not imposed mainly for revenue, but to check our imports—Recent changes in Colonial policy—Preferences given partly from patriotic motives, partly in recognition of their free admission here—The Colonial Conference—Resolution of Premiers—Colonial preference unfortunately given, not by lowering duties in our favour, but by raising those against foreign produce—Effect of Canadian preference—That it is partially nugatory—Foreign countries do not seriously compete with us in our Colonies, because they have placed themselves at so great a disadvantage by their Protective policy—Amount of European trade with Colonies so small that we have really little to gain—Much of it is in goods which we cannot produce—Mr. Chamberlain's views—Colonies have not asked for preference in our markets—Serious results which must follow from any reversal of our policy.

WE should all, or almost all, be glad if it is found possible to knit more closely the Mother-country and the Colonies. One way of doing so, of course, would be by strengthening and developing our commercial relations. The difficulties, however, are great, and are increased by the difference of our views on fiscal policy. Between Great Britain and India, indeed, Free Trade fortunately prevails, and, as will be seen in a

subsequent chapter, any change in this respect would in the opinion of the Government of India be undesirable, and might be dangerous.

New South Wales also adopted Free Trade, greatly to her own advantage (see *ante*, p. 56) as well as ours. Most of our Colonies, however, unfortunately for themselves as well as for us, have been deluded into a very different policy. While we admit their produce free, or if there is any tax, impose a corresponding Excise duty if any competing article is produced here, they, on the contrary, levy taxes on our produce without corresponding Excise duties.

The estimated average *ad valorem* amount of the duties levied on British goods is stated by the Board of Trade¹ to be as follows:—

| | |
|--------------------------|--------------|
| In Canada | 16 per cent. |
| „ New Zealand | 9 „ |
| „ Australia | 6 „ |
| „ South Africa | 6 „ |

Lord Grey, in a letter to the *Times*,² says that “the revenue necessities of our Colonies make it impossible for them to remit all taxes on British imports at the present time.” That is no doubt true, but if they were put on for revenue they would of course be accompanied by corresponding Excise duties. Unfortunately they are avowedly put on to check the importation of British goods—not, of course, from any ill will to us, but, as it is euphemistically called

¹ Board of Trade Memorandum on British and Foreign Trade and Industry, Cd. 1761, 1903.

² January 18, 1904.

(or rather miscalled), for the protection of native industries. Their policy, however, does not really encourage native industries, but only favours some at the expense of others.

A feeling has, however, been growing up in the Colonies that the arrangement still prevailing in some, and until lately in almost all, the Colonies, was by no means fair. We are part of the same Empire, and the imposition of duties—not for revenue, but explicitly and avowedly to check the use of British manufactures—can not be defended.

Moreover, the wisest colonial statesmen recognise the fact that whilst most other countries impose heavy duties against their produce, the United Kingdom admits them free, or puts corresponding Excise duties on her own produce. As Sir Wilfrid Laurier well expressed it, Canada has given us a preference because “we looked carefully round the world, and we found England to be the only country which receives our products freely. We desired to show England our gratitude.”

Mr. Seddon also, though he is reported as having since expressed a somewhat different opinion, speaking at the New Zealand dinner, assured us that the New Zealand Government, in proposing to grant preference to the mother-country, did so “in the spirit and desire to help—to give, and not a desire to take. They felt it was an opportunity to assist the mother-country; it was love, and not sordid motives, that prompted the sending of the resolution.”

The same feeling found general expression at the

Colonial Conference of 1902. A generous desire was expressed to strengthen the commercial ties which bind us together, and the following resolution was adopted by the Colonial Prime Ministers: "That the Prime Ministers of the Colonies respectfully urge on His Majesty's Government the expediency of granting in the United Kingdom preferential treatment to the products and manufactures of the Colonies, either by exemption from, or deduction of, duties now or hereafter imposed."¹

Excepting, however, in the case of alcohol, tobacco, tea, and sugar, there are practically no such duties; nor do these affect most of our Colonies. A preference on tea would benefit parts of India and Ceylon; on sugar the West Indies and Queensland; but most of India and Australia, New Zealand, South Africa, and our other Colonies would remain unaffected.

Farther than this we can hardly with justice be asked to go. We have given the Colonies long ago a free market for all their produce, while they almost all endeavour to exclude our manufactures by high, and in some cases by very high, duties. We do not ask them to exclude foreign manufactures. What we wish is that they should treat us as we treat them.

Many of our countrymen, however, are prepared to go farther, and to place duties on food and raw materials coming from foreign countries, thus giving the Colonies greater advantages even than those they at present enjoy. That is a very serious proposal, and only to be justified on the clearest ground.

¹ Colonial Conference, Cd. 1299, 1902.

On August 12, 1881, speaking in the House of Commons, Mr. Chamberlain said: "Lastly, sir, is any one bold enough to propose that we should put a duty on food? Well, sir, I can conceive it just possible, although it is very improbable, that under the sting of great suffering, and deceived by misrepresentation, the working-classes might be willing to try strange remedies; but one thing I am certain of—if this course is ever taken, it would be the signal for a state of things more disastrous than anything which has been seen since the repeal of the Corn Laws. A tax on food would mean a decline in wages. It would mean more than this, for it would raise the price of every article produced in the United Kingdom, and it would indubitably bring about the loss of that gigantic export trade which the industry and energy of the country, working under conditions of absolute freedom, have been able to create." But we cannot have preferential trade without taxes on food.

It would of course be important to strengthen the commercial relations between the mother-country and the Colonies. But this desirable result cannot effectively be secured unless the Colonies are prepared to modify their present Protectionist policy. Of this unfortunately there seems no immediate prospect, for though there is a strong Free Trade party in the Colonies, on the whole the Protectionists are in the ascendant. No doubt Canada and New Zealand have given us a preference, and we are grateful for it. Moreover, *they* have not asked us to reverse our fiscal policy, but there is a powerful party at home which does so,

and we must therefore consider the position carefully.

In estimating the commercial value of any preference we must know what the general tariff is to be, and how the preference is to be given. Is it to be by lowering the duties on our manufactures, or by raising those against foreign produce? The effect in the two cases will, of course, be very different, and if the latter course is adopted the benefit to our trade would be but slight. Again, what articles are to be affected? It would make all the difference if heavy duties are imposed on our manufactures and light ones on the products of other countries, or if light ones are imposed on our products and heavy ones on those of other countries. I take it for granted that there cannot be one *ad valorem* rate. Gold, for instance, cannot be taxed. As to future changes, the statements in the Colonial Conference Blue-book¹ are not definite enough to enable us to estimate their probable effect. For instance, the Cape and Natal foreshadowed a difference of 25 per cent, but suggest that this is to be arrived at, not by lowering duties on our produce, but by raising those on produce from foreign countries; Australia says, "preferential treatment not yet defined as to nature or extent"; New Zealand has since given "a general preference of say 10 per cent by raising those on foreign produce"; Canada has given us an advantage of 33 per cent, and we gratefully acknowledge these evidences of goodwill.

¹ Blue-book, Colonial Conference, Cd. 1299, 1902.

Moreover, I am very pleased to see that Canada has herself benefited by the reduction. Our trade has increased £3,000,000 with Canada, and the result to Canada has been that her people have got an increased supply of cheap goods, her agriculture has benefited, farmers are flocking in from the United States and settling up the Far West. If she would pursue the same policy further she would, I feel sure, inaugurate a period of immense progress and prosperity. Her farmers would save in the price of clothing, implements, machinery, and, in fact, in all the manufactured articles they use, while they would get the same or even a better price for the produce of their land. But, unfortunately, the duties are in many cases still so high that even with the reduction of 33 per cent they are almost prohibitive. Now, if those on our goods are prohibitive, it does not help our trade to make those on foreign countries still higher.

Surprise is often expressed that the result of the preference given by Canada to the mother-country has not been greater. But this is easily explained.

There appears to be a general impression that Canada has favoured our commerce by admitting British goods at a rate 33 per cent below those of other countries. This is true, but it is not the whole truth. Canada admits some goods free, some at a light, and others at very heavy, duties. The classes of goods which we import are unfortunately just those on which heavy duties are imposed.

Though it may seem a contradiction in terms, we may be given preferential rates, and yet duties may be so imposed as to fall specially on British goods. For instance, Canada has given us a preference, and yet her fiscal system presses with special severity on British goods: even after the preference we pay a higher rate than other countries.

This is clearly brought out in the Memorandum drawn up by the Board of Trade for the consideration of the Colonial Conference. They say: "Although British goods enjoy a preference compared with the same goods imported from other countries, the average *ad valorem* rate of duty on British imports taken as a whole is still higher than the average duty levied on all imports, and much higher than the average duty levied on imports from the United States."¹

And they give the following figures for 1900-1901, bringing out this fact:—

| | Value of Imports. | Customs Duty collected. | <i>Ad valorem</i> Equivalent. |
|---------------------------------------|-------------------|-------------------------|-------------------------------|
| Imports from United Kingdom | £ 8,839,000 | £ 1,612,000 | Per cent. 18 |
| Imports from United States | 22,702,000 | 2,735,000 | 12 |
| All Imports | 37,241,000 | 5,981,000 | 16 |

Thus, in spite of the preference, our goods pay on an average 18 per cent of their value; those of the United States, on the contrary, only 12 per cent!

If the Colonies are prepared to reduce their duties

¹ *Loc. cit.* p. 85.

or to impose corresponding Excise duties, it would no doubt be a great advantage both to us and to them. But if they lock the door against us, it is little benefit to us (though, of course, it is some) that they should double lock it against the foreigner. Our real competition is with Colonial manufacturers.

The statistics of Colonial trade show this clearly. The exports from other European countries into Canada are about £4,000,000, into Australia £4,500,000.

Let us take the case of Australasia. Into New Zealand and Australia our imports have in fifteen years increased £8,000,000, those of other countries £6,000,000. If we compare our increase in Australia and New Zealand with that of a single country, even Germany, we find £8,000,000 against a German increase of £1,000,000. In fifteen years, with our Colonies as a whole, the increase has been for the United Kingdom, £15,000,000; for Germany, £6,000,000; for France, £1,000,000. In fact, our competition in Colonial markets is not so much with foreign manufacturers as with Colonial producers. Moreover, what are the goods which foreign countries import into our Colonies? As a matter of fact, they are mainly goods which we ourselves do not produce.

If we except Canada, which has naturally a large trade with the United States, even the whole imports of our Colonies from foreign countries are comparatively small. This is well shown in the following table¹ :—

¹ See Sir R. Giffen, *Nineteenth Century*, July 1903.

IMPORTS IN MILLIONS STERLING (STATISTICAL ABSTRACT
FOR 1901).

| | United Kingdom. | Other European Countries. | United States. |
|-----------------------------|-----------------|---------------------------|----------------|
| New South Wales | 10·1 | 1·7 | 2·8 |
| Victoria | 7·2 | 1·4 | 1·5 |
| South Australia | 2·2 | ·4 | ·6 |
| Western Australia | 2·6 | ·4 | ·5 |
| Tasmania | ·6 | ·0 | ·1 |
| Queensland | 2·5 | ·3 | ·4 |
| New Zealand | 6·9 | ·3 | 1·4 |
| Natal | 6·6 | ·6 | ·7 |
| Cape of Good Hope | 14·2 | 1·8 | 1·9 |
| Canada | 8·9 | 3·6 | 22·7 |

Evidently, therefore, any trade which a preferential tariff could transfer to us from other European countries is but small.

The total imports of Canada in 1900, excluding bullion and specie, were £38,400,000, of which £9,590,000 came from the British Empire. Twelve millions at least consisted of articles which we do not export, and considering the neighbourhood of the United States, and the fact that the total imports from other countries in Europe altogether only amount to £3,600,000, it seems obvious that we cannot expect any very large increase to our imports into Canada unless our countrymen there are prepared to reduce their duties. The Canadian manufacturers allege that without Protection they cannot compete with ours. As long as the agricultural and other interests in Canada are prepared to pay from 15 to 20 per cent more than is necessary for

their clothes, implements, etc., it is impossible that our exports to that country should greatly increase.

One difficulty as regards a preferential treatment of Canada is that, as Mr. Carnegie has pointed out,¹ for five months in the year, when Canadian ports are ice-bound, Canadian shipments reach Britain over American territory and through American ports.

To this it has been replied that Halifax and St. John are open all the winter, but Mr. Carnegie calculates in a subsequent letter² that the extra cost of transit would be "eight shillings a quarter as compared with exports and imports through Montreal or American ports." Unless, therefore, the preference amounted to a larger sum, the extra charge for freight would be prohibitive.

In the case of the Cape of Good Hope³ the total imports were in 1900 £17,163,000, of which £13,531,000 were British. At least £1,561,000 were articles which we do not export.

Take again New Zealand.⁴ In this case the total is £10,208,000, of which £8,692,000 are British. At least £260,000 consists of articles which we do not export. The whole amount imported from foreign countries of articles with which we could compete is little over £1,000,000.

The total imports of our self-governing Colonies in 1900 were £113,000,000. Of this £35,000,000 were from the United Kingdom, and £11,000,000 from other British possessions, making together

¹ *Times*, July 25, 1903.

² *Ibid.*, August 6, 1903.

³ Board of Trade Memoranda, etc., 1903, p. 382.

⁴ *Loc. cit.* p. 389.

£66,000,000, and £47,000,000 from the rest of the world. Of this over £18,000,000 consisted of articles which we do not produce, or of which we require more than we produce, leaving £28,500,000.

Of this about £16,000,000 are United States products imported into Canada, with much of which we could not compete. £8,000,000 are imports into Australasia, and £2,000,000 to the Cape. The Board of Trade estimate, however, that we must add some $3\frac{3}{4}$ millions for goods which, though imported into the Colonies from Great Britain, are of foreign origin.¹

So far, therefore, as Australasia and South Africa are concerned, the total amount of foreign trade which could possibly be diverted to us by preferential duties is for—

| | |
|-----------------------|------------|
| Australia | £3,007,000 |
| New Zealand | 1,276,000 |
| The Cape | 2,092,000 |
| Natal | 539,000 |
| | <hr/> |
| | £6,914,000 |

If we remember that our exports amount to £360,000,000, it is absolutely clear from these figures that nothing which we can gain from preferential duties, if the difference arises from increasing the duties on foreign produce, can possibly make it worth our while as a matter of business to alter our policy. European countries have to a great extent shut themselves out by their Protectionist policy, which has

¹ *Loc. cit.* p. 381. For further details see Appendix.

raised the value of food and raw materials, thus placing their manufacturers at a hopeless disadvantage in neutral markets.

Mr. Chamberlain put the case very clearly at the Colonial Conference when he said :¹

While I cannot but gratefully acknowledge the intention of this proposal and its sentimental value as a proof of goodwill and affection, yet its substantial results have been altogether disappointing to us, and I think they must have been equally disappointing to its promoters. . . . Or, taking it in another way, the total increase of the trade of Canada with foreigners during the period named—this is including both the trade subject to the tariff and also the free trade—was 69 per cent, while the total increase of British trade was only 48 per cent. . . . Practically the checking of that decline is the whole result which we can recognise as having followed the generous intentions of the Canadian Government. Foreign produce at the present time in Canada has still a lower average tariff than British produce, no doubt due to the fact that the foreign produce is, as I have said, as a rule, of a character upon which lower duties are ordinarily levied ; but the result is that while foreign imports have largely increased the British imports have largely decreased. But now I want to point out another thing which I think will be of great importance, and which I am sure the Government of Canada must have taken into their serious consideration. What return has been made to them by the foreigner for the advantage which the foreigner has derived from their tariff? The exports from Canada to foreigners have decreased 40 per cent, while the exports from foreigners to Canada have, as I have said, largely increased. On the other hand, in spite of the tariff, in spite of everything in the natural course and communication, the exports to the United Kingdom have increased 85 per cent in fifteen years, and the net result, which I desire to impress upon you, is that in spite of the preference which Canada has given us, their tariff has pressed, and still presses, with the greatest severity upon its

¹ Colonial Conference, Cd. 1299, p. 7, 1902.

best customer, and has favoured the foreigner, who is constantly doing his best to shut out her goods.

Now what is the present position? I believe it is true of Canada—it is true, I believe, of every Colony—we take already, by far, the largest proportion of Colonial exports, but there is not the least doubt that we might double or treble the amount that we take, but we cannot do so until we have the reciprocal advantage, and until you take in exchange a larger proportion of our goods, and so enable us to pay for the imports which we should receive from you. . . . While we may most readily and most gratefully accept from you any preference which you may be willing voluntarily to accord to us, we cannot bargain with you for it.

Under these circumstances surely we cannot but agree with the opinion expressed by the Prime Minister in the House of Commons on the 7th March: “I said—I wish I could withdraw the statement—that I was not aware how it was possible on such a basis to found any great scheme of preferential duties.”¹

We have given the Colonies long ago a free market for all their produce, while they almost all endeavour to exclude our manufactures by very high duties. We do not ask them to exclude foreign manufactures. What we wish is that they should treat us as we treat them. Do their wisest statesmen ask us to do more than we have done?

In his Liverpool speech Sir Wilfrid Laurier said: “It is no intention of ours to disturb in any way the system of Free Trade which has done so much for England.”

And in Canada he said that preferential treatment

¹ *Times*, March 8, 1904.

might be an advantage. "But we cannot have it so long as we have a Protective tariff in Canada. . . . But the moment we are ready—it may take a long time, but I hope that some day it will come—to discard our tariff, the moment we come to the doctrine of Free Trade, then it is possible to have a commercial mutual preference based on Free Trade in the Empire."

Mr. Cook, in an interesting article on the subject, has quoted another speech of the same distinguished statesman. Sir Wilfrid was asked whether he was in favour of our imposing differential rates on foreign produce, and he said :

Well, no, perhaps not. If England were willing to give us a preference over other nations, taking our goods on exceptionally favourable terms, I would not object. It would not be for Canada to shut herself out from the advantage. It would be a great boon for the time. But for how long would it last? Would it be an advantage in the long run? That is what men who think beyond the passing moment have to ask themselves. Suppose England did such a thing, and abandoned her Free Trade record. She would inevitably curtail the purchasing power of her people. And do you not think we should suffer from that, —we who alone have natural resources enough to feed your millions from our fertile lands? I have too great a belief in English common-sense to think that they will do any such thing. What we have done in the way of tariff preference to England we have, as I said, done out of gratitude to England, and not because we want her to enter upon the path of Protection. We know that the English people will not interfere with the policy of Free Trade, and we do not desire them to do so. We know that, buying more goods from England, she will buy more from us, and so develop trade, and the moment trade is developed Canada is benefited.¹

¹ Sir W. Laurier (Canadian Premier)—Answer to an Interviewer, 1897; quoted in the "Colonial View," by E. T. Cook, *The New Liberal Review*, July 1903, p. 760.

Our Government is inquiring, and it will be interesting to hear the final result, but it is still more important to ascertain the views of the Colonies. Are they prepared to abandon Protection and adopt Free, or at any rate Freer, Trade within the Empire? If they are, it may be worth our while to meet them to some extent. But if they are not, how can we be expected to depart from our present policy? It would be most unwise and ungracious to throw cold water on any real proposals for closer trade connection with the Colonies. An appeal to the country on such an issue would be most unfortunate. On the other hand, how can the country be asked to abandon the policy of fifty years without knowing what is to be adopted in its stead? And yet, if at the next election the problem is placed before the country without more details, and if we decide to maintain the existing system, we shall seem to flaunt, and shall certainly be told that we are flaunting, the Colonies.

Moreover, I confess I view with some alarm the prospect of bargaining with the Colonies. We may seem to favour one Colony or one interest, and may find that, instead of closer union, we have roused jealousies, suspicions, and animosities.

We ought not, it seems to me, to be expected to commit ourselves to any vague resolutions. For my own part, I am prepared to examine any proposals which would tend to develop our commerce with the Colonies, and to strengthen the bonds which unite the various parts of the Empire. But till we know what the proposals are, we shall be wise to

suspend our judgment, and to maintain our Free Trade policy. To promote closer union with the Colonies is a great and noble object. The difficulties are great—they may be insuperable ; but the Colonies may feel sure that we shall consider their suggestions in a friendly and sympathetic spirit, and with every desire to meet their wishes. While, however, we should be ready to make substantial sacrifices in order to strengthen and consolidate the Empire, we must be careful to do nothing which might cripple or endanger that magnificent commerce on which the comfort and prosperity of our people so greatly depends.

CHAPTER V

ON RETALIATION

Differences between the views of the Prime Minister and of Mr. Chamberlain—The object of the Government in proposing retaliation—System proposed was tried by us and found useless—Mr. Gladstone's views—It is now being tried by foreign countries equally without success—Present arguments not new; revive periodically—Cannot be denied that we have some grievances—Fiscal wars of other countries: France and Switzerland, Germany and Russia, France and Italy—Results injurious to both parties—Difficulty of recovering trade once lost—Mr. Chamberlain on retaliation—Bounties: particulars of—Not serious except in a few cases—Sir R. Giffen on—In some few cases and with careful limitations may be defensible, but any general reversal of present system would be disastrous.

THERE could hardly be a better illustration of the complete confusion existing in many minds with reference to our fiscal policy, and the proposals now before the country, than the fact that so many of those who write to the newspapers—some Candidates for, and even some Members of, Parliament—gravely tell us that while they support the policy of the Government they are prepared to go farther, and are in favour of the proposals of Mr. Chamberlain. They have even given themselves the not very euphonious appellation of “whole-hoggers,” implying that the Prime Minister only goes half as far as they do.

There is, however, no question of going farther. The two policies are different and opposite. They lead in different directions. The methods are different, the proposals are different, the objects are different. Mr. Chamberlain would tax food, Mr. Balfour would not. Mr. Chamberlain would tax foreign imports, and admit colonial, because the Colonies are part of the Empire. The Prime Minister proposes to put on duties against certain countries because they are Protectionist, and admit those from others because they are Free Traders. If we apply this, say to Holland and Canada, the one policy would tax Dutch goods because they are foreign, and admit Canadian because they are colonial; the other would admit Dutch goods because Holland is a Free Trade country or nearly so, and tax Canadian goods because Canada places an import duty of, on an average, 18 per cent, and in some cases even more, against our goods. Both the Government and Mr. Chamberlain propose to change our fiscal system, but the changes are diametrically opposite.

In the last chapter we have considered, as far as was possible with the information before us, the system of Colonial preferences suggested by Mr. Chamberlain.

I now propose to discuss the policy of retaliation which has been adopted by the Government. There are, no doubt, cases which would justify such action, and I am not prepared to deny that in some it might possibly be advisable. These, however, do not seem to me sufficiently numerous or important to involve any change which could be described as a reversal of our present fiscal policy.

On what grounds, then, does the Prime Minister advise his countrymen to do so?

It is not that we are not prosperous. In fact, he tells us¹ that, "judged by all available tests, both the total wealth and the diffused well-being of the country are greater than they have ever been. We are not only rich and prosperous in appearance, but also, I believe, in reality. I can find no evidence that we are 'living on our capital,' though in some respects we may be investing it badly. Why, then, it is asked, do we trouble ourselves to disturb a system which has been so fruitful in happy results?"

Why indeed! It is not, he tells us, that we are suffering now; indeed he admits that we are prosperous. Well, then, why not leave well alone? He tells us that he "will not take up the barren challenge contained in the last phrase, or add to the profitless and inconclusive dispute as to whether the growth in our prosperity is due to a good financial system." Whether, however, the question is barren or not depends on the answer. This, in fact, he gives us. Consider, he says in the next page, "some of the points on which I have commented in these notes: the injury which foreign Protection is calculated to inflict on a Free Trade country; its need for open markets; the threatened contraction of existing Free Trade areas; the increasing severity of tariffs in Protectionist areas; the building up of vested protected interests in new countries, which may be discouraged now, but not hereafter; the effect of this Protection

¹ *Economic Notes on Insular Free Trade*, p. 28.

on our future corn supply; the uncertainty and loss which tariff-protected trusts are inflicting, and may hereafter inflict, upon British capital invested in Britain.”¹

The trend of public opinion in foreign countries does not seem to me to support the gloomy view taken by the Prime Minister with reference to the probable course of events abroad. Free Traders, at any rate, in the United States and Australia, are gaining strength, and I doubt if they are losing ground elsewhere. Still, on this point I would not be so presumptuous as to put my opinion as against that of the Prime Minister.

But the question is whether we are likely to diminish Protection in other countries by adopting it ourselves. It can hardly be denied that such a course would weaken and discourage Free Traders elsewhere. Nor do I believe that we should do ourselves any good by abandoning Free Trade. Moreover, it must be remembered that other markets, especially in Asia and Africa, are opening up.

The Prime Minister approaches the subject of retaliation, as he tells us, “from the Free Trade point of view.” His object is not to protect native industries, but to break down foreign tariffs, and thus open up new markets.

The only manner, he says,² in which we can effect this “is to do to foreign nations what they always do to each other, and instead of appealing to

¹ *Economic Notes on Insular Free Trade*, p. 29.

² *Loc cit.* p. 30.

economic theories in which they wholly disbelieve, to use fiscal inducements which they thoroughly understand. We, and we alone, among the nations, are unable to employ this means of persuasion, not because in our hands it need be ineffectual, but because in obedience to 'principle' we have deliberately thrown it away."

Certainly it is well to look ahead, he continues, and "the source of all the difficulty being Protective tariffs imposed by fiscally independent communities, it is plain that we can secure no concession in the direction of a freer exchange except by negotiation, and that our negotiations can but appeal to self-interest or, in the case of our Colonies, to self-interest and sentiment combined."

Let us, however, consider how the proposal would work.

Suppose, for instance, that in consequence of any action by Germany we in retaliation put a heavy duty on German toys, and induced capitalists to manufacture them here. Our capital and labour is all employed, so that the first effect would be to divert a certain portion of each from more remunerative employment. Suppose then that Germany gave way. The grounds on which we took action being removed, I presume the duties would be taken off, but the manufacturers who had been induced by the duties to set up works and machinery would be heavy losers, and would certainly consider that they had reason to complain.

Moreover, we have already tried this system without effect. Mr. Gladstone has recorded that when he

was at the Board of Trade: "From 1841 to 1844 we were anxiously and eagerly endeavouring to make tariff treaties with many foreign countries. Austria, I think, may have been included, but I especially recollect France, Prussia, Portugal, and, I believe, Spain. And the state of our tariff, even after the law of 1824, was then such as to supply us with plenty of material for liberal offers. Notwithstanding this, we failed in every case. I doubt whether we advanced the cause of Free Trade a single inch."

Mr. Gladstone's opinion on matters of commerce is, of course, most important. This, moreover, is not merely a matter of opinion, but a statement of fact. Lastly, it must be remembered that France, Germany, Russia, and other Protectionist countries are even now trying this system. It is certainly not a success, but if any of the countries which have adopted Protection did succeed in securing any advantage, we should, under the favoured-nation clause, share it with them.

It is curious, with reference to these fiscal problems, how history repeats itself. From time to time exactly the same arguments crop up.

As Professor Fawcett said a quarter of a century ago, in words which might have been written yesterday, so applicable are they to the present situation: "It is frequently said by the advocates of reciprocity, that nothing can be more unjust than to allow various articles of American manufacture to be sent to England to compete on equal terms with our

manufactures, when we are forbidden free access to the American market.”¹ . . .

And again: “There are many of our own countrymen who will no doubt think that England should depart from the policy which she has been pursuing, that she should take some steps to defend her own interests, and that she should no longer continue, as is so often said, ‘to give everything to foreigners and get back nothing from them in return.’ If France, refusing to renew the treaty, should increase the duties on English products which were reduced at the time the treaty was first negotiated, there are those who maintain that England should in turn impose heavier duties on the articles which she imports from France. Such a policy of retaliation has already been recommended by many English chambers of commerce. Although the undoubted right of England, under such circumstances, to increase the duties levied on French products may be fully admitted, yet the important question to be determined is, not whether it would be justifiable, but whether it would be expedient for England to pursue such a course.”² He urges, and, it seems to me, shows conclusively, that it would not be wise for us to do so.

Apart from the question of foreign duties, which we may regret, but which we have no right to resent, cases have, it seems to me, arisen which give much stronger ground of complaint, and would amply justify retaliation, if it can be shown that it would be for our advantage.

¹ Professor Fawcett, *Free Trade and Protection*.

² *Ibid.*

For instance, the House of Commons Committee on "Steamship Subsidies" report¹ that—

One great contributory cause, with foreign subsidies, affecting British trade is the reservation by foreign nations of their coasting trade to their own ships. This may be regarded as an indirect subvention or subsidy. Although British coasting trade is absolutely open to vessels of all nations, many nations reserve the trade between their own ports to their own vessels. The United States extend the doctrine so as to declare a voyage from New York round Cape Horn to San Francisco, or from San Francisco to Honolulu, a "coasting voyage," and as such they restrict it to vessels carrying the United States flag. France refuses to allow any but French vessels to trade between French ports and Algeria. Russia, in reserving its coasting trade to its own flag, includes in this restriction the navigation between Russian ports in the Baltic and the Black Sea, and between all Russian ports and Vladivostok in the far east of Siberia. Such restrictions do seriously affect British trade.

The Committee came to the conclusion "that the occasion has come when the question . . . should be considered by His Majesty's Government, with a view to reserving the British and Colonial coastwise trades and the Imperial coasting trade within the British Empire to British and Colonial ships, and to vessels of those nations who throw open their coasting trade to British and Colonial ships."

The German position is put clearly by a recent writer in the *Neue Hamburgische Börsenhalle*. He points out that the law of May 22, 1881, provides that "the right to ship merchandise at a German seaport and convey it to another German seaport (the coastwise-carrying trade) is reserved exclusively for German ships."

¹ Report of Committee on Steamship Subsidies, July 28, 1902.

But it is followed by the provision: "This privilege may be granted to foreign ships by a State treaty or by an Imperial ordinance, with the sanction of the Federal Council." An Imperial ordinance of this kind was issued on December 29, 1881, of which the following was the text:—"The right to ship merchandise at a German seaport and carry it to another German seaport (the coastwise-carrying trade) is granted to the vessels of Belgium, Brazil, Denmark, Great Britain, Italy, Sweden, and Norway."¹ This is fair, and I can hardly doubt that other countries will adopt the same course.

Again, the United States have imposed a duty of about thirty shillings on hemp shipped from the Philippine Islands. So far we have no right to complain. But this duty is returned on hemp shipped direct to the United States and employed by the United States manufacturers.

The hemp shipped from the Philippine Islands is known in the trade as Manilla hemp, and is largely employed in the manufacture of cordage and of binder twine.

Our manufacturers in the United Kingdom of cordage and binder twine made from Manilla hemp have to compete with the United States manufacturers both in our home market and in neutral markets, handicapped by the preference of 30s. per ton enjoyed by the latter.²

¹ "Shipping and Subsidies," by Benjamin Taylor, *North American Review*, April 15, 1903.

² See a letter from Messrs. Malcolm and Co., July 27, 1902, published in the *Times*.

These and other similar grievances require the attention of Government. They ought to be, and I trust will be, redressed. If not, the foreign Governments concerned cannot complain if we think it necessary to take retaliatory measures. They should, however, only be adopted as a last resort, and not unless it was clear—

1. That every effort had been made in the way of friendly representation and remonstrance ;
2. That retaliation should afford a reasonable prospect of being effective for its purpose ;
3. That it should not seriously injure other branches of British manufacture or commerce ; and
4. That the specific mode of retaliation is in each case submitted to the consideration and subject to the assent of the House of Commons.

Take the shipping case. The Board of Trade have a very interesting discussion on this point. It will be seen, they say,¹ “that 490,000 tons (or 36 per cent of the total) belong to countries having distant or over-sea possessions, and that of these 59,000 tons (or 4 per cent of the total) belong to the two countries which exclude, and 431,000 tons (or 32 per cent) to the five countries which permit, the participation of British ships in their Colonial trade.

“It follows that if ‘reciprocity’ were a test for the admission of foreign vessels to our Colonial trade,

¹ Board of Trade Memoranda, etc., 1903, p. 187.

about 5 per cent of the foreign tonnage now engaged in that trade would be excluded." The possible gain to our shipping is not therefore great, and many ship-owners are, I believe, doubtful whether it would be wise to raise questions which might lead to vexatious disputes and do more harm than good.

The two countries of which, perhaps, we have most reason to complain are Russia and the United States. Now take the case of Russia. From that country we import £25,670,000. Of this amount, as Mr. Sydney Buxton has shown, £23,500,000 are food and raw materials, namely—

| | |
|-------------------------|-------------|
| Food-stuffs | £13,500,000 |
| Raw materials | 10,000,000 |

leaving only £2,170,000, of which under half a million were manufactured articles; while our export of manufactured articles to Russia was over £6,000,000. In the case of the United States, out of £127,000,000 (1902), £118,000,000, or over six-sevenths, were also food-stuffs or raw materials.

Tariff wars, moreover, like others, are injurious to both combatants. This is fully borne out by the contents of a recent Blue-book.

The most important cases of retaliation in recent years have been the tariff wars between France and Switzerland, Germany and Russia, and France and Italy.

Last July (1903) Lord Lansdowne instructed our representatives at Paris, Rome, St. Petersburg, Berlin,

and Berne to furnish reports summarising "the history of these conflicts, and indicating their origin, duration, and final results, both upon the tariffs of the two contending countries and in the increase or decrease of the trade between them."

The result is a most instructive series of reports¹—two from Paris, one each from Rome, Berne, Berlin, and St. Petersburg, collected in a Blue-book—which ought certainly to serve as a warning, which brings out clearly that in tariff wars, as in others, the only question generally is which of the two combatants will suffer the most.

The Franco-Swiss tariff war is described in two Reports, one by Sir Conyngham Greene from Berne, the other by Sir Henry Austin Lee from Paris. Sir C. Greene gives a condensed history of the war from the annual Reports of the Swiss Commercial and Industrial Society for the years 1890-1895.² The conflict broke out in 1892, and the effect on both belligerents was shown in the Federal message of June 1893, from which it appears that while "about one-half of the former French imports into Switzerland had not been affected . . . the other half of the French imports to Switzerland were reduced by about 70 per cent. . . . The Swiss exports to France declined in the first quarter of 1893 by one-half."

The Report for 1893 states that during this year "the dispute is being fought out quietly; nevertheless, the effect both here and in France can be

¹ Reports on Tariff Wars between certain European States, Cd. 1938, 1904.

² *Loc. cit.* p. 82.

clearly seen, and the trade statistics unfortunately give a strong proof of this effect."

The Report for 1894 states that both exports and imports continued to decline, and the results were so serious that negotiations were resumed which were ultimately successful. "Again and again it appeared as if a satisfactory result were impossible, and the final result was only due to the fact that an honourable, if not absolutely beneficial, agreement was considered to be more advantageous than a quarrel without termination, which would only have rendered permanent injury to the two combatants, and out of which third parties were deriving profit." The agreement was only provisional, but having regard to the serious results of the war, the Report concludes that "it is quite certain that, except on absolutely important grounds, neither of the two parties will cancel the arrangement."

The report from Paris brings out with equal clearness the severe losses which both France and Switzerland brought on themselves. Sir Henry Austin Lee quotes¹ Sir Joseph Crowe's saying in a report to Lord Dufferin on the 26th December 1892: "It has been proved that the closing of the Swiss market to French produce will be a loss to France and a gain to Italy, Germany, and Austria. The general trade of France and Switzerland, in and out, is 750,000,000 francs (£30,000,000) including transit. A barrier like that of the French general tariff on the one hand, and a differential Swiss tariff

¹ *Loc. cit.* p. 3.

on the other, will at once stop the transit trade, and destroy the arrangements by which commerce is directed to and from French ports. The loss to France, on a diversion of the traffic, will be 9,000,000 francs (£360,000) for railway companies, plus a loss of 11,000,000 francs (£440,000) in freight and commission at the out ports.

“As to this point, I am informed that Switzerland has already prepared the whole details of a diversion of traffic by a change in her railway rates. The whole of her Transatlantic silk trade will be taken to England *via* Belgium and Holland.

“It is further shown that the French loss will be gain to other nations. The Swiss will do their Marseilles business at Genoa, their Channel trade at Antwerp and Rotterdam, instead of at Havre or Dunkirk. All Swiss correspondents will direct their goods to or from China and Japan *via* Genoa, Antwerp, and Hamburg, instead of *via* Marseilles.

“The wheat trade of the Confederation will be lost to the French Mediterranean ports. . . .

“The Swiss general tariff will of itself raise the duties on all these articles by 25 and 50 and up to 150 per cent. France will therefore lose the greater part, if not all, of 80 millions of trade.”¹

Sir Joseph's anticipations were amply fulfilled. Sir Henry Austin Lee continues: “The rupture of the commercial relations had a disastrous effect on French trade . . . and French exports for consumption in Switzerland fell from 227,885,000 francs in

¹ *Loc. cit.* p. 3.

1892 to 129,871,000 in 1894, representing a decrease of 98,000,000 or 43 per cent; whilst the imports into France from Switzerland shrunk from 91,958,000 francs to 66,650,000, francs, or a reduction of 25,308,000, equal to 27 per cent. . . . The French Customs returns show how serious was the shrinkage in the trade on both sides." In fact, the value of the French exports to Switzerland fell in three years from 235,000,000 francs to 130,000,000, or nearly 45 per cent, and the Swiss exports to France from 103,400,000 to 66,650,000, or nearly 35 per cent.

The tariff war ended in 1895, but the Report concludes: "It will be noted that the trade relations between France and Switzerland have not even yet recovered their prosperity of thirteen years ago."

Trade indeed once diverted is not easily recovered!

THE FRANCO-ITALIAN WAR

The Franco-Italian tariff war teaches the same lesson.

"The results of this tariff war," says our Ambassador at Paris (Sir E. Monson), "seem to have been as disastrous as those arising from the war between France and Switzerland."

He encloses a report from Sir Henry Austin Lee, who tells us that the "two war tariffs came into force on the 1st March 1888. . . .

"By the rupture of the Franco-Italian commercial relations Italian trade suffered very severely. According to French Customs statistics the imports

into France of Italian products, which in 1887 represented a value of 307,709,000 francs, immediately fell in 1888 to 181,163,000 francs, and gradually declined to 131,738,000 francs in the year 1897. In the space, therefore, of ten years Italian goods destined for consumption in France fell off to the extent of 57 per cent; but in 1898, when the tariff strife practically ended, there was a slight improvement in her exports to France, which increased to 137,806,000 francs. . . . From 1887 till 1897 the loss of trade sustained by France amounted to fully 50 per cent. . . . It cannot be denied that to the rupture of the normal relations in the commerce of the two countries must be attributed the great decrease in the exports from France to Italy.”¹

Sir Rennel Rodd, writing from the Italian side, entirely confirms this. “The joint loss of the two countries,” he says, “is given at about 3,000,000,000 lire (£120,000,000).” Moreover, though peace has been at length restored, he tells us that, “in spite of the new commercial treaty, Franco-Italian trade has not shown any permanent indication of improvement since the war of tariffs—the total volume not exceeding the half of what it was before.”²

RUSO-GERMAN TARIFF WAR

Lastly, we have the object-lesson afforded by the Russo-German tariff war.

Mr. Spring Rice, secretary to our embassy, writing

¹ Reports on Tariff Wars between certain European States, Feb. 1904, p. 9.

² *Loc. cit.* p. 21.

from St. Petersburg, states that the Russian duties were for many years fairly moderate, but from about 1870 they were gradually raised, and were met by heavy increases on the part of Germany, until in March 1894 an agreement was arrived at. He tells us that "in the opinion of both Governments a continuation of the war would have led to very serious consequences—some of a political character—and there appears to have been great relief when peace was concluded." It was followed by a substantial improvement in trade, but Mr. Spring Rice expressly states¹ "that it is of course unnecessary to point out that this increase of trade between Germany and Russia, which was subsequent to the tariff war, must not be assumed to have been the result of it. The tariff war resulted in a ten years' treaty, and traders could therefore count on certain and unvarying conditions for a term of years."

From the German side, the history of the conflict was entrusted by our Ambassador, Sir Frank Lascelles, to Mr. Buchanan, secretary of our embassy. He gives an interesting table, too long to quote, showing the falling-off in Russo-German commerce in consequence of the tariff war. For instance, the exports from Germany to Russia of iron-ware (exclusive of pig-iron, locomotives, machinery, etc.) fell from £2,100,000 in 1880 to £632,000 in 1892, of machinery from £617,000 in 1880 to £386,000 in 1892, of wool and woollen goods from £1,165,000 in 1885 to £535,000 in 1892. The

¹ *Loc. cit.* p. 48.

acutest stage of the war did not last long, for the state of matters became intolerable—"the sharpness of the lesson which it taught helped to render both parties more ready to come to terms";¹ and he expresses the hope² that in future "the danger of a rupture may perhaps be diminished by the experience gained. . . . The lessons then learnt may help to remind both countries of the loss which such a war entails."

Let us hope that we also may profit by the dearly bought experience of France, Switzerland, Italy, Germany, and Russia.

As regards the heavy duties imposed by the United States on our products there can, of course, be no doubt that they check our commerce with America, but they injure America more than they hurt us, and retaliation would do us much more harm than the duties. The remedy would be worse than the disease.

The Foreign Secretary has asked for a "pistol" with which to enter on negotiations with our foreign customers. "Pistols for two and coffee for one" is a reckless policy at any time. It is not the part of a prudent man to risk his life on the chance that he may possibly destroy that of an enemy; but in this case the best that can happen in any case is that you may kill a customer. To fight in such a case would indeed be folly!

Mr. Chamberlain put the case admirably in 1885:

¹ *Loc. cit.* p. 72.

² *Loc. cit.* p. 77.

The doctrine of retaliation, he said, is put before you by people who are altogether ignorant of the character of your trade. They say to you, "Foreign countries put a duty upon your manufactures. What can be juster than that you should put a duty upon theirs?" Well, if that were all, I should agree with them that there is no injustice in it. We owe nothing to these foreign countries, and if we could injure them without injuring ourselves, and wanted to do so, the proposal would be reasonable enough. But we cannot retaliate upon them without running the risk of retaliation upon ourselves, which would be very much worse for us than anything we could do for them. It so happens that in spite of Protection—I am inclined to say in consequence of Protection—we send more manufactures to those Protective countries than they send to us. Believe me, if their hands were free, if they were wise, if they released trade altogether, they would be much more serious competitors than they are now.¹

The problem of bounties stands, no doubt, on a different footing from that of duties. The most important case, that of sugar, has been dealt with by the Brussels Convention. There are others no doubt, and some of importance, though hardly of supreme importance.

The Government have recently issued an interesting Report, by His Majesty's representatives abroad, on bounties other than those on shipping and navigation paid by the State in the countries in which they reside.

The result is to show that no such bounties are given in the following countries² :—

| | | |
|----------|----------|-----------|
| Belgium | Colombia | Greece |
| Brazil | Denmark | Guatemala |
| Bulgaria | Egypt | Italy |

¹ Mr. Chamberlain, Birmingham Town Hall, 1885.

² Cd. 1946 (1904).

| | | |
|---------|----------|-------------------|
| Mexico | Portugal | Sweden and Norway |
| Morocco | Roumania | Switzerland |
| Persia | Servia | Turkey |
| Peru | Spain | |

As regards other countries I omit sugar, which has been dealt with by the Brussels Convention.

Chili gives a small bounty— $\frac{8.5}{100}$ of a penny on each litre of wine or alcohol, and $\frac{5.1}{100}$ of a penny for each kilogramme of sulphuric acid.

The amounts are quite trifling.

France gives bounties on silk, hemp, flax, oil, and fish. The amounts so granted last year were—for silk-worm culture, £169,000; silk, £160,000; hemp and flax, £100,000; oil, £5. The fishery bounties take the form of a grant for the crews of from 1.50 to 5.15 francs per head, and on fish of from 12 to 20 francs per kilogramme. The amount last year was £212,000.

As regards Germany, apart from sugar, the amounts paid in 1902¹ were: Drawbacks on spirits, £1,200,000. On Customs articles, principally cocoa and tobacco, £780,000; beer, £5700; and salt, £1100.

In the Netherlands “no bounty is granted on the production or export of industrial and agricultural produce, with the exception of beer and vinegar.”²

In the case of vinegar, the concession is a drawback of the Excise duty, not a true bounty.

In the case of Russia there is a return of duty on yarns and certain other articles, and a bounty on spirits, which, however, is a trifling matter, our

¹ *Loc. cit.* p. 35.

² *Loc. cit.* p. 72.

imports of spirits from Russia having been in 1902 6400 gallons, and our exports to Russia 3900.¹

Lastly, the United States, though they impose heavy duties, give no bounties. I was, however, unpleasantly surprised, and received a slight shock, when I read that "though no bounties are paid by the United States Government, other than those on shipping and navigation, certain State governments pay bounties, chiefly to encourage the production of beetroot sugar, but also for other purposes."²

This was quite news to me. On looking further, however, my mind was relieved. Kansas may be taken as a typical case: "The County Commissioners may offer a bounty, not exceeding three dollars, for the killing of every coyote, wolf, wild cat, and fox, and five cents for every rabbit." The other bounties are to encourage the creation of agricultural societies and the planting of trees. None of these State bounties are calculated to injure our commerce.

It is no doubt possible, as Sir R. Giffen hopes, "that the threat of mutual preferences and other measures to guard special industries in the Empire against the concerted attacks either of foreign governments or of foreign trusts, whose existence is favoured by certain Protectionist conditions, may have the effect of increasing the area of real freedom everywhere in industrial pursuits."³

But to alter our whole fiscal policy to meet such cases would surely be little less than an act of madness.

¹ Annual Statement of the Trade of the United Kingdom, 1903, pp. 330, 603.

² Cd. 1946 (1904), page 90.

³ *Nineteenth Century and After*, July 1903, p. 15.

Lastly, we must remember the difficulty of determining the true place of origin. Swiss goods reach us through France and Belgium, German through Belgium and Holland, as the Blue-books show.

CHAPTER VI

THE CASE OF INDIA

Our responsibility to India—Difficulty and complexity of the problem—M. St. Hilaire's generous appreciation of our rule—The trade of India—Despatch of the Indian Government—Our imports into India—Foreign imports, nature of—Views of the Government of India—Their difficulty in replying to the Home Government without more information as to what is proposed—That preferential trade would be little advantage to England or to India, and might involve serious danger—Prosperous condition of India under Free Trade—Conclusions of Indian Government.

VERY little has as yet been said about India during the discussions on the fiscal policy of the Empire. At the same time every one will admit that her interests must receive careful consideration.

Our Indian Empire is a tremendous responsibility. The area of Great Britain is 121,000 square miles, that of India 1,760,000 square miles; our population 40,000,000, that of India 294,000,000. While the problem is rendered in some respects more easy, it is on the other hand all the more complex, because the native races comprise innumerable tribes, languages, and sects. They are divided into three main religions, —Hindoo, Mahomedan, and Buddhist—each again broken up, especially the Hindoo, into divisions which are practically different religions; while the population

falls into three main divisions—the dark aboriginal or Dravidian races in the centre and south, the yellow race (Burmese) on the east, and the Hindoos, who are more nearly allied to us in language and origin than to either of the other two, on the north and centre.

The difficulty of the problem is in fact enormous. A wise and eminent Frenchman, M. Barthélemy St. Hilaire, late Foreign Secretary in M. Thiers' Government, has borne generous testimony to the beneficence and justice of our rule in India, which, he says, "mérite que tous les amis de l'humanité et de la civilisation en souhaitent le succès. Faire l'éducation politique et morale de deux cent cinquante millions de nos semblables est une tâche prodigieuse, qui, noblement commencée avec ce siècle, exigera, pour être entièrement accomplie, une suite d'efforts dont on ne saurait préciser la durée." We have to face, he truly says, a difficult problem, but it is very gratifying to be assured that we have the "applaudissements sincères de tous les esprits éclairés et impartiaux."

If we are to succeed, it can only be by respecting the feelings, and even the prejudices, of our Indian fellow-countrymen, and convincing them that we wish them well, that we desire to be just, and to study their welfare.

This, I believe, we have done. Our honest effort and desire has been to govern India for the benefit of the people of India. We may have made mistakes there as we have made mistakes at home, but these have been the principles on which we have governed India.

Acting in this spirit, Lord George Hamilton, then Secretary of State for India, on the 7th August last telegraphed to the Government of India, calling their attention to the resolution passed at the Conference of Colonial Prime Ministers in 1902, in favour of preferential tariffs as between different members of the British Empire, stating that the Government were considering how far it was possible and desirable to give effect to this recommendation, and intimating their desire to receive any observations and suggestions which Lord Curzon and his Government might wish to make from the point of view of Indian interests.

The reply of the Government of India is contained in a despatch dated at Simla on October 22, 1903.¹

The average trade of India for the last 5 years² has been £125,500,000, made up of exports £75,500,000, and imports £50,000,000. In 1902-3 the exports were £83,900,000, and the imports £52,500,000. Of the exports £21,165,000 were to the United Kingdom, £11,000,000 to other parts of the British Empire, and £51,690,000 to foreign countries—principally China and Japan.

The imports are to us perhaps the most interesting. The average for the last five years gives £33,240,000 from Britain, £4,785,000 from British possessions, making over £38,000,000 from the British Empire, and £12,000,000 from all other countries. Of this £12,000,000, £4,000,000 at least consists of tropical

¹ Views of the Government of India on the question of Preferential Tariffs, Cd. 1931, 1904.

² *Loc. cit.* pp. 36-39.

and other objects which we do not produce, leaving only £8,000,000 out of £51,000,000 with which we could under any circumstances compete.

“It will be observed,” says the Indian Government, “that about three-fourths of our total imports come from the British Empire. Of the remaining one-fourth, a substantial part consists of articles, such as petroleum, beet sugar, wines, silk manufactures, and the like, which the British Empire either does not produce or is not in a favourable position to supply. It is also seen that our imports from the British Empire exceed our exports thereto by $7\frac{1}{2}$ millions sterling; that, on the other hand, our exports to foreign countries exceed our imports therefrom by about 38 millions sterling; and that our total exports exceed our total imports by upwards of 30 millions sterling.”¹

Nor is there any evidence that we are losing ground in India. In four years our imports into India have increased 10,000,000 tens of rupees; those of the whole of the rest of the world 5,600,000.

The principal foreign imports into India are from China, and with these we could not compete. Austria-Hungary sends £1,900,000, nearly half of which is sugar. Then come Russia with £1,800,000, of which £1,700,000 is petroleum; Belgium, £1,700,000, very much divided; Germany, £1,500,000, made up of a great variety of articles; United States, £800,000, half of it mineral oil; France, £800,000, of which £160,000 are wines, etc., £140,000 dresses, etc., £140,000 silks.

¹ East India Tariffs (Blue-book), 1904, p. 5.

It is obvious, therefore, as the Indian Government says, that "India has something, but not perhaps very much, to offer to the Empire" if preferential tariffs were adopted.

The Financial Member of Council (Sir E. FitzGerald Law) in a separate despatch expresses his conviction¹ that such "small preferential advantage as might probably be given with fair prospects of safety, on generally low average tariff rates, would hardly be likely to afford such advantages to British manufacturers as would prove of material benefit to their interests."

We are bound in honour, however, to consider the problem mainly from an Indian point of view.

This, indeed, is not easy, because, as the Indian Government points out, "there is nothing before us in the nature of a definite scheme on the suitability of which to Indian circumstances we can pronounce with confidence; and to determine whether on *a priori* grounds it would be to our advantage or the reverse to declare our adhesion to or dissent from a general policy not clearly defined would not be altogether easy or conclusive."²

The exports of India are mainly food and raw materials. At present India, like Great Britain, has the great advantage of being practically a Free Trade country. No trade is fostered and pampered at the expense of others: no one gives more for anything he requires in order to benefit some favoured person or interest. The Indian Government point out that

¹ Indian Government Despatch, Cd. 1931, 1904.

² *Loc. cit.* p. 1.

in their judgment it is not the interest of India to reverse this policy.

The result of the present system, they say,¹ is "that Indian exports to a value exceeding 38 millions sterling, and approximating to one-half of the entire volume of our export trade, are admitted free of duty into the consuming markets, while of the remainder a considerable proportion is either subject to relatively moderate duties, or, as in the United Kingdom, to duties imposed for purely revenue purposes, and with no attempt to differentiate against us. This remarkable and gratifying result is directly due to two causes, viz. (1) to the favourable fiscal policy of the United Kingdom, and (2) in far greater degree to the nature of the bulk of our exports, which consist in great measure of raw materials which are an object of importance, if not of necessity, to the countries importing them. The great advantage which our trade thus obtains appears likely to endure so long as the causes creating it continue to operate."

Having pointed out the difficulty they feel (like many at home) in being asked to express an opinion on a policy as to which "we have no definite information," they continue:² "Two possible alternatives have, however, presented themselves to us, and we propose to discuss each of them in turn.

"In the first alternative India might join the scheme on exactly the same footing as any of the self-governing Colonies, and would, if need be, impose

¹ *Loc. cit.* p. 6.

² *Loc. cit.* p. 6.

duties of a Protective character against imports from the United Kingdom and other parts of the British Empire, subject to the condition that, so far as her circumstances permitted, she should give substantial preferential treatment to the products and manufactures of the United Kingdom. This privilege would be conceded without requiring India to surrender any advantage which she now possesses in the home market, and without withholding from her any additional advantage in the form of preferential treatment which the Home Government might resolve to accord to other dependencies of the Empire."

This is, of course, the system of preferential tariffs. The Indian Government dismiss it at once. It is, they say, "sufficient to say that this alternative is not, so far as we can judge, within the sphere of practical politics. . . . We therefore dismiss this alternative as beyond the range of the present discussion."

In the second alternative they continue:¹ "India would maintain her import duties on British and Colonial goods, at such low general rate, equal to or somewhat less than that now in force, as may be required for revenue purposes, and would impose a slightly higher rate on foreign goods, sufficient to give the former class a preference of 25 per cent or thereabout."

Such a policy they consider would be distinctly injurious to India. "In the first place, we might be forced to shape our policy, not in accordance with our own needs, but according to the interests and

¹ *Loc. cit.* p. 7.

demands of other constituents of the Empire. Secondly, we should lose a portion of the revenue we receive at present, . . . and it might be difficult to secure in a suitable manner the maintenance of our present revenue from Customs. The last and greatest source of injury, viz. the probability of retaliation by foreign countries, and its consequences to our trade and our financial situation, is discussed in a later paragraph of this despatch. On the other hand, the preferential advantage which we might hope to receive is neither large nor assured."

They point out that the principal exports of India are food and raw materials, and if these are not to receive a preference, India has really nothing to gain; and they quote the separate despatch of the Financial Member of Council (Sir E. FitzGerald Law)—which they append—that "it is more in the interest of India to leave matters as they are than to embark on a new fiscal policy, unless by its adoption very great advantages should be secured for our exports to the United Kingdom and the Colonies. As, however, His Majesty's Government do not propose to tax either food or raw materials this would evidently not be the case.

"We need scarcely affirm," they add,¹ "that any actual measure of retaliation should only be adopted with the greatest caution, and in the last resort, and in circumstances which in the most careful judgment afford a strong assurance of success. We would avoid all tariff wars, and we recognise that it would

¹ *Loc. cit.* p. 10.

be a calamity should we become involved in such struggles with the important purchasers of our exported produce.”

The weight of authority in favour of these general views is the more overwhelming when it is remembered that they are supported by three ex-Viceroy, Lord Northbrook, Lord Elgin, and Lord Ripon, by the two last Secretaries of State on both sides of politics, Sir Henry Fowler and Lord George Hamilton, and by Sir M. E. Grant Duff, late Governor of Madras, and Lord Reay, late Governor of Bombay.

That India is prospering under Free Trade cannot be denied.¹

The total revenue has risen from £57,200,000 in 1891-1892 to £76,344,000 in 1901-1902; the post office receipts from £960,000 to £1,380,000; the telegraph receipts from £505,000 to £740,000.

The exports of India, consisting mainly of raw produce, depend greatly on the seasons, and fell for several years to 1900, since which they have risen nearly £20,000,000.

The number of letters sent through the post rose from 347,000,000 in 1891-1892 to 573,000,000 in 1901-1902.

The numbers of depositors in savings banks has risen from 503,000 in 1891-1892 to 867,000, of whom 787,000 were natives, in 1901-1902; and the deposits from Rs.8,12,05,000 to Rs.10,68,21,000. This shows the confidence in our rule.

¹ See Statistical Abstract relating to British India, and statement exhibiting the Moral and Material Progress of India, 1903.

Finally, the population has risen from 287,000,000 in 1891 to 294,000,000 in 1901.

At the close of their Report the Indian Government finally sum up their conclusions as follows¹:—

“Firstly, that without any such system India already enjoys a large, probably an exceptionally large, measure of the advantages of the free exchange of imports and exports.

“Secondly, that if the matter is regarded exclusively from an economic standpoint, India has something, but not perhaps very much, to offer to the Empire; that she has very little to gain in return; and that she has a great deal to lose or to risk.

“Thirdly, that in a financial aspect the danger to India of reprisals by foreign nations, even if eventually unsuccessful, is so serious and their results would be so disastrous, that we should not be justified in embarking on any new policy of the kind unless assured of benefits greater and more certain than any which have, so far, presented themselves to our mind.”

¹ *Loc. cit.* p. 9.

CHAPTER VII

ON THE PRESENT CONDITION OF THE COUNTRY, AND ESPECIALLY OF THE WORKING-CLASSES

Comparison of condition of England, and especially of the working-classes, under Free Trade and Protection—Terrible condition of the country under Protection—Evidence of Mr. Thornton ; of Miss Martineau ; of Lord Macaulay ; of Mr. Bright ; of Prof. Fawcett—Comparison of the condition of our artisans and labourers with those of Protectionist countries, and with those of the same classes in this country under Protection—Wages—Hours of work—Prices of necessaries—Sir R. Giffen's evidence—That of Mr. Chamberlain—Comparison with the state of things before Free Trade—Wages—Hours of work—Prices of necessaries—Evidence of Progress—The consumption of food—Savings—Crime—Pauperism—The change amounts to a revolution.

WHEN we are asked to reverse our fiscal policy it is surely well to inquire what was the condition of the country under Protection as compared with what it is now.

The extent of the injury inflicted by Protection depends of course on the thoroughness with which the system is carried out. In the first half of the last century the Protective duties in this country were high, and in the 'forties their effect was aggravated by other causes, especially by a series of bad harvests.

It is impossible to read contemporary descriptions of the state of the country during the years preceding Free Trade without a feeling of horror.

Mr. W. T. Thornton, the eminent economist, in his work on *Over-Population and its Remedy*, after describing the terrible state of Stockport sixty years ago, continues :

The distress, of which there are such convincing proofs, was aggravated at Stockport by local causes, but it existed in a degree very little inferior in most other manufacturing towns. It was particularly severe throughout Lancashire and those parts of Yorkshire in which cotton manufacture has its principal seat. In Manchester there were said to be 9000 families earning on an average only 1s. a week. In Bolton, out of fifty mills, which had formerly employed 8124 workmen, thirty mills with 5061 work-people were standing idle or working only short time. The weekly earnings of the bed-quilt and counterpane weavers were reduced to less than one half of their amount in 1838. Those of the hand-loom weavers, though long before depressed, had fallen again from 6s. to 3s. 7½d. The destitution of the operatives and the embarrassments of their employers were shared more largely by the tradesmen and handicraftsmen whose customers they had been. In Bolton a diminution of £3651 took place in weekly amount of wages paid in twelve trades. Out of one hundred and fifty carpenters, formerly earning 25s. a week each, only twenty-five remained in full work, and fifteen in half work, and the number of masons was reduced from one hundred and forty, earning 34s. a week, to fifty, earning 10s. 6d. Very similar and not much more moderate were the sufferings of the cloth-workers of Yorkshire and Wiltshire, of the silk weavers of Spitalfields and Macclesfield, the lace-makers of Nottingham, the fitters of Staffordshire, and the hardware makers of the same county, of Warwickshire and Sheffield.

Miss Martineau in her *History of the Peace*, writing as an eye-witness, says :

Serious as was the task of the Minister in every view, the most immediate sympathy was felt for him on account of the fearful state of the people. The distress had now so deepened in the manufacturing districts as to render it clearly inevitable

that many must die, and a multitude be lowered to a state of sickness and irritability from want of food ; while there seemed no chance of any member of the manufacturing classes coming out of the struggle at last with a vestige of property wherewith to begin the world again. The pressure had long extended beyond the interests first affected ; and when the new Ministry came into power there seemed to be no class that was not threatened with ruin. In Carlisle the Committee of Inquiry reported that a fourth of the population was in a state bordering on starvation—actually certain to die of famine, unless relieved by extraordinary exertions. In the woollen districts of Wiltshire the allowance to the independent labourer was not two-thirds of the minimum in the workhouse. . . . In Stockport more than half the master spinners had failed before the close of 1842 : dwelling-houses to the number of 3000 were shut up ; and the occupiers of many hundreds were unable to pay rates at all. Five thousand persons were walking the streets in compulsory idleness ; and the Burnley Guardians wrote to the Secretary of State that the distress was far beyond their management ; so that a Government Commissioner and Government funds were sent down without delay.¹ . . . In Dorsetshire a man and his wife had for wages 2s. 6d. per week and three loaves ; and the ablest labourers had 6s. or 7s. In Wiltshire the poor peasants held open-air meetings after work—which was necessarily after dark. There, by the light of one or two flaring tallow-candles, the man or the woman who had a story to tell stood on a chair and related how their children were fed and clothed in old times—poorly enough, but still so as to keep body and soul together ; and now how they could nohow manage to do it. . . . The bare details of the ages of their children, and what the little things could do, and of the prices of bacon and bread, and calico and coals, had more pathos in them than any oratory heard elsewhere.”

Lord Macaulay, in December 1845, said :

Have we forgotten what was the condition of the working people in that unhappy year ? So visible was the misery of the

¹ Miss Martineau's *History of the Peace*, bk. vi. ch. v.

manufacturing towns that a man of sensibility could hardly bear to pass through them. Everywhere he found filth and nakedness, and plaintive voices, and wasted forms, and haggard faces. Politicians, who had never been thought alarmists, began to tremble for the very foundations of society. First the mills were put on short time. Then they ceased to work at all. Then went to pledge the scanty property of the artisan: first his little luxuries, then his comforts, then his necessaries. The hovels were stripped till they were as bare as the wigwam of a Dogribbed Indian. Alone, amidst the general misery, the shop with the three golden balls prospered, and was crammed from cellar to garret with the clocks and the kettles and the blankets and the bibles of the poor. I remember well the effect which was produced in London by the unwonted sight of the huge pieces of cannon which were going northward to overawe the starving population of Lancashire.

If (he continued) these things do not teach us wisdom we are past all teaching. Twice in ten years we have seen the price of corn go up, and as it went up the wages of the labouring classes went down. Twice in the same period we have seen the price of corn go down, and as it went down the wages of the labouring classes went up. Surely such experiments as these would in any science be considered as decisive.

John Bright, speaking in 1884, said :

Let your workmen reflect on the change in their conditions which Free Trade has made within the last forty years, since the reform of our tariff. The Corn Law was intended to keep wheat at the price of 80s. the quarter, it is now under 40s. the quarter. The price of tea is now less than the duty which was paid upon it in former days. Sugar is not more than one-third of its cost when a monopoly of East and West India sugar existed. As to wages in Lancashire and Yorkshire, the weekly income of the thousands of workers in factories is nearly, if not quite, double that paid before the time when Free Trade was established. . . . If you inquire as to the wages of farm labourers, you will find them doubled, or nearly doubled, in some counties, and generally over the whole country advanced more

than 50 per cent, or one-half, while the price of food and the hours of labour have diminished. It may be said that milk and butter and meat are dear, which is true, but these are dear because our people by thousands of families eat meat who formerly rarely tasted it, and because our imports of these articles are not sufficient to keep prices at a more moderate rate.¹

As regards the labourer Professor Fawcett, with reference to the same period, says that—

With this decline in the prosperity of the farmer and with this decrease in the amount of capital which he could afford to employ in the cultivation of the land, it was inevitable that there should be a marked deterioration in the condition of the agricultural labourer. There probably never was a time when the rural labourer was in a more deplorable condition. With the diminution in the farmers' capital the demand for labour decreased. The general trade of the country had become so paralysed that there was no outlet for the unemployed labour which was steadily accumulating in the rural districts. Wages consequently were reduced to a minimum; often not more than 7s. or 8s. a week could be earned, and the greatest distress prevailed in the rural districts.²

No doubt the Corn Laws were passed in the supposed interests of the agricultural community. Nevertheless, during the thirty years that they were in operation, no less than five Parliamentary Committees were appointed to inquire into agricultural distress.

It would be easy to multiply evidence to the same effect. I might quote the appalling descriptions given by Mrs. Gaskell, Carlyle, Kingsley, and many others, but the preceding will probably be enough to con-

¹ Extract from letter from Mr. J. Bright, M.P., to Mr. A. Wilde (*Times*, Nov. 18, 1884).

² Professor Fawcett, *Free Trade and Protection*, p. 38.

vince any one that the condition of the country during the last years of Protection was one of intense suffering. We have had panics since, and periods of depression, but nothing like the misery and despair of those terrible times.

It is indeed a relief to turn from them to the free air and bright sunshine of Free Trade.

I have already shown how our manufactures and commerce have prospered, how our exports have risen by leaps and bounds; and will now bring forward some evidence as to the condition of the country and especially of the working-classes. The contrast is the more remarkable, considering that we are just emerging from a most expensive war, and that our agriculture is suffering from several disastrous seasons.

The evidence will be taken from the Statistical Abstract, from Sir A. Bateman's admirable Memorandum on the Comparative Statistics of Population, Industry, and Commerce, published by the Board of Trade in 1902,¹ and the Memoranda, Statistical Tables, and Charts, published by the Board of Trade in 1903,² for which we are also mainly indebted to the same distinguished statistician.

Let us first consider the position of our workmen as compared with that of those in Protectionist countries, and then their present condition with that of their fathers' when our own fiscal system was Protectionist.

As regards comparative rates of wages here and

¹ Cd. 1199.

² Cd. 1761.

abroad, the Board of Trade Memorandum¹ gives those of fitters, carpenters, and compositors as illustrations.

They are :

| | United Kingdom. | Russia. | France. | Germany. | Italy. |
|-----------------|-----------------|----------|-----------|----------|-----------|
| Fitters . . . | 38s. | 31s. 8d. | 36s. | 22s. 6d. | 17s. |
| Carpenters . . | 43s. 9d. | 19s. | 40s. 10d. | 25s. | 16s. 10d. |
| Compositors . . | 38s. | 25s. 4d. | 33s. 7d. | 26s. 7d. | 26s. 5d. |

The late Lord Playfair, a most competent authority, some years ago made a special study of the effect of Protection on wages in America, as contrasted with the position of workmen in this country.² His conclusion was “that Protection is a force which cuts down nominal wages, and that the high cost of production caused by them forces the competing manufacturer either to lower wages or to seek for cheaper labour from the foreign emigrants who flock to America from every other country.”³

Still, he continues, “you may think that Protection may at least regulate and render uniform the wages of like industries all over the country. It does nothing of the kind. The variation between the wages of the same industries in different parts of the Union is greater than between it and the United Kingdom.”⁴ No doubt the nominal rate of wages in the United States is at present higher than in England, but this is neutralised, or more than neutralised, by the higher prices of food, clothing, and the other necessaries of life.

As regards the rates of wages of skilled labour generally, and taking the wages in Great Britain as

¹ Page 374.

² *The Effect of Protection on Wages*, p. 12.

³ *Ibid.* p. 12.

⁴ *Ibid.* p. 12.

100, the Board of Trade Report estimates those in Paris as 86, in Berlin as 57, and those in other German cities and towns as 63, and the same in other French cities and towns. In both these countries the women work for wages more than with us, and yet, taking the income of the English working-class family at 100, the Report estimates the total of the French family at 83, and of the German at 69. We might, they say, "without great error, take the average for Germany as two-thirds, and for France three-quarters, of that which prevails in the United Kingdom."¹

So far as wages are concerned, it is therefore obvious that our workmen are much better paid than those of France, Germany, or Russia.

If, however, our employers pay higher wages, it does not necessarily follow that the labour bill for a given amount of work is higher. The efficiency may be greater. Though wages, for instance, are high in the United States, American economists generally maintain that the "labour cost" of a given amount of work is really no greater than in Europe.

Lord Brassey, also as the result of his father's wide experience in various parts of the world, tells us² that "high wages do not necessarily imply dear labour, just as, on the other hand, low wages do not of necessity make labour cheap."

Now let us come to the price of necessaries. Here also our countrymen are better off than those in

¹ *Loc. cit.* 1903, p. 289.

² *Work and Wages*, p. 74. See also pp. 67, 81, 85.

Protectionist countries. The Board of Trade Memorandum says: "The cost of living in Germany has fallen very much less in the twenty-five years than in the United Kingdom. . . . A German workman has been able to purchase as much food of the kind to which he is accustomed for 100 marks as he could get twenty years previously for 112 marks, while the English workman has been able to make 100 shillings go as far in purchasing food as 140 shillings would have gone twenty years before. . . . As to France, some statistics of the cost of workmen's food, compiled by the Statistical Society of Paris, show a fall in the cost between 1880 and 1897 from 114 to 100; a fall of 14 points compared with 13 in Germany and 42 in the United Kingdom."¹

Lastly, let us consider the hours of labour.

The Board of Trade Report states² that on an average the countries compared stand in the following order as regards the length of the current hours of labour. They are longest in Germany, then comes France, then the United States, while they are shortest in Great Britain. Thus then our countrymen (always excepting shop assistants) have higher wages, cheaper food, and shorter hours of labour than those of either France or Germany.

A good criterion of the degree of comfort enjoyed is afforded by the consumption of sugar, tea, and coffee. The following table shows the amount consumed per head, putting tea and coffee together:—

¹ Page 224.

² Page 287.

YEARLY CONSUMPTION PER HEAD OF THE POPULATION¹

| Countries. | Sugar. | Tea and Coffee. |
|---------------------------|--------|-----------------|
| | lbs. | lbs. |
| United Kingdom | 78·7 | 6·92 |
| Russian Empire | 9·58 | 1·07 |
| United States | 68·70 | 11·74 |
| Austria-Hungary | 16·87 | 2·21 |
| France | 26·80 | 4·84 |
| Italy | 6·79 | 1·102 |
| Germany | 27·11 | 6·76 |

This table clearly shows that our workmen, as compared with those of Russia, Germany, or France, are able to spend much more on what are, if not necessities, at least among the great comforts of life.

The small consumption of sugar was, of course, greatly due to the price being kept up by heavy duties.

Lastly, let us contrast the state of the country as it was under Protection with what it is under, and greatly, though I do not say entirely, owing to, Free Trade.

Sir R. Giffen has discussed the question in two interesting papers read to the Statistical Society, and published in their Journal.²

In the earlier memoir he summoned up his conclusions as follows:—

“Whatever may be said as to the ideal perfection or imperfection of the present economic régime, the fact

¹ Board of Trade Memorandum, Cd. 1761, 1903, p. 219.

² Presidential Address, 1883; and *Further Notes on the Progress of the Working Classes in the Last Half-Century*, p. 27, by Sir Robert Giffen.

of so great an advance having been possible for the masses of the people in the last half-century is encouraging. It is something to know that, whether a better régime is conceivable or not, human nature being what it is now (and I am one of those who think that the régime is the best, the general result of a vast community living as the British nation does, with all the means of healthy life and civilisation at command, being little short of a marvel if we only consider for a moment what vices of anarchy and misrule in society have had to be rooted out to make this marvel); still, whether best or not, it is something to know that vast improvement has been possible with this régime. Surely the lesson is that the nation ought to go on improving on the same lines, relaxing none of the efforts which have been so successful. Steady progress in the direction maintained for the last fifty years must soon make the English people vastly superior to what they are now.”¹

Writing on the condition of the working-classes three years later, Sir Robert, in 1886, expressed the conviction,² for which he gave conclusive evidence, that the wages of artisans had risen at least 100 per cent. Since then they have gone up some 15 per cent more.³

But even this is not all. The hours of labour have fallen to an extent which, I think, may safely be

¹ Address, November 20, 1883, *Journal of the Statistical Society*, p. 621.

² *Journ. Stat. Soc.* 1886.

³ Board of Trade Memoranda, etc., 1903, pp. 260 *et seq.*

estimated at 20 per cent. It is possible that the amount of work done may be nearly as great, so that to the employer the result may be the same, but to the workman it is very different. It is far better for him, both morally and physically, to do his best for eight hours than to dawdle for ten or twelve.

It must no doubt be admitted that rent is higher in many cases, but, on the other hand, houses are better.

“The great rise of money wages,” he says, “among labourers of every class, coupled with stationary or even falling prices of commodities on the average, the all but universal shortening of the hours of labour, the decline of pauperism, the enormously increased consumption of the luxuries of the masses, the improvement in the rate of mortality—these and other facts combine to prove that there has been a great general advance in well-being among the masses of the community. The evidence is cumulative, and to disprove or throw doubt on one item in the long list of particular facts supporting any one of these propositions hardly affects the impression given by the survey of the whole.”¹

“The new possibilities,” he continues, “implied in changes which in fifty years have substituted for millions of people in the United Kingdom who were constantly on the brink of starvation, and who suffered untold privations, new millions of artisans and fairly well-paid labourers, ought indeed to excite the hopes of philanthropists and public men. From

¹ Sir R. Giffen, *Journal of the Statistical Society*, 1886.

being a dependent class without future and hope, the masses of working men have in fact got into a position from which they may effectually advance to almost any degree of civilisation. Every agency, political and other, should be made use of by themselves and others to promote and extend the improvement. But the working men have the game in their own hands. Education and thrift, which they can achieve for themselves, will, if necessary, do all that remains to be done. Whatever else can be done will be done all the more easily if education and thrift are practised.”¹

Coming down some years later—the Labour Commission in their Report of 1894 said that “the impression left by the evidence, as a whole, is that among the more settled and stable population of skilled workpeople there has, during the last half century, been considerable and continuous progress in the general improvement of conditions of life, side by side with the establishment of strong trade custom adapted to the modern system and scale of industry. Experience may fairly be said to have shown that this part of the population possesses in a highly remarkable degree the power of organisation, self-government, and self-help. Workpeople of this class earn better wages, work fewer hours, have secured improved conditions of industrial and domestic life in other respects, and have furnished themselves through trade unions and friendly societies with means of providing against the various contingencies

¹ *Journ. Stat. Soc.* 1886.

of sickness, accidents, and temporary want of employment.

“The classes who compose the lower grades of industry, regarded as a whole, have probably benefited no less than the skilled workers from the increased efficiency of production, from the advantages conferred by legislation, from the cheapening of food and clothing, and from the opening out of new fields for capital and labour. In their case also the improvement manifests itself in better pay and more favourable conditions of work ; but chiefly in this, that of the mass of wholly unskilled labour, part has been absorbed into higher grades, while the percentage of the total working population earning bare subsistence wages has been greatly reduced.

“There is still a deplorably large residuum of the population, chiefly to be found in our large cities, who lead wretchedly poor lives, and are seldom far removed from the level of starvation ; but it would seem that not only the relative, but perhaps even the actual numbers of this class are also diminishing.”

Lord Brassey also tells us :¹ “It is evident that the workers of the United Kingdom are better off at the present time than in the same trades in Germany. German labour is not less efficient than our own. The statistics of progress, pushed to the point of imprudence, should be regarded rather as a warning than as a proof that advantages have been gained by a Protectionist policy, not shared by the United Kingdom under our Free Trade system.”

¹ *Our Fiscal Policy*, p. 23.

Lastly, I may quote Mr. Chamberlain. "I wonder," he said, speaking at Ipswich in 1885, "whether in this vast audience there are any people who have any conception of the state of things which existed forty or fifty years ago? At that time the whole of the labourers in the agricultural districts were on the verge of starvation. The poor-rates in some districts were 20s. in the pound. . . . At the time of which I am speaking, the large towns were described by eye-witnesses as bearing the appearance of beleaguered cities, so dreadful were the destitution and the misery which prevailed in them. People walked in the streets like gaunt shadows and not like human beings. There were bread riots in almost every town. There were rick-burnings on all the country-sides."

These are not expressions of opinion as to which even a statesman may change his mind; they are statements of hard facts.

Moreover, not only is the average price of necessities—say particularly of wheat—lower, but there are no such great extremes. Between 1836 and 1847 it fluctuated from 36s. to 102s. In 1812 it was even 126s. The effect of the price cannot be estimated by the average, for the high prices mean starvation.

The Board of Trade¹ give an interesting table, which shows, beginning in 1877, the percentage changes in the average retail price of the food of a workman's family, and showing that there has been a fall in that period of no less than 30 per cent. Clothes also have fallen considerably in price.

¹ Memoranda, etc., 1903, p. 215.

There cannot perhaps be a better test of the prosperity of a people than the consumption per head of the principal articles of food.

The following table, compiled from the Statistical Abstract of the Board of Trade, speaks volumes. It gives the quantities retained for home consumption per head of the total population of the United Kingdom.

The quantities are as follows :—

| | 1840. | 1881. | 1902. |
|--|-------|--------|--------|
| Bacon and hams . . . lbs. | 0·01 | 13·93 | 17·12 |
| Beef " | | | 18·04 |
| Butter " | 1·05 | 6·36 | 10·49 |
| Margarine " | | | 2·53 |
| Cheese " | 0·92 | 5·77 | 6·66 |
| Corn, wheat, and wheat- flour " | 42·47 | 216·92 | 267·33 |
| Maize " | | | 118·53 |
| Eggs No. | 3·63 | 21·65 | 54·08 |
| Mutton lbs. | | | 9·76 |
| Pork " | | | 2·26 |
| Potatoes " | 0·01 | 12·85 | 14·61 |
| Rice " | 0·90 | 16·32 | 18·17 |
| Sugar " | 15·20 | 67·36 | 83·95 |
| Tea " | 1·22 | 4·58 | 6·06 |
| Tobacco " | 0·86 | 1·41 | 1·92 |
| Wine galls. | 0·25 | 0·45 | 0·36 |
| Spirits " | 0·97 | 1·08 | 1·05 |

The deposits in Savings Banks in 1850 were £30,000,000; in 1870, £53,000,000; in 1890, £111,000,000; and in 1902, £197,000,000.

Thirty years ago the number of persons in prison was over 20,000. It is now somewhat less, while the population has increased by one-third. In juvenile crime the decrease is even more satisfactory. In

1856 the number of young persons committed for indictable offences was 14,000. In 1866 it had fallen to 10,000; in 1876 to 7000; in 1881 to 6000; and, according to the last figures I have been able to obtain, to 5100, while in the whole country the number for children under sixteen is only 1000. Turning to poor-rate statistics, we find that in 1857, the first year in which the returns were given in the present form, the number of paupers were 920,000, or 48·3 per thousand of the population. They have even been as high as 53·9 per thousand. Last year they were 833,000, or only 23 per thousand. The proportion, therefore, is less than half of what it used to be.

The number of bankruptcies and compositions was 4637 in 1892, and has fallen in the last ten years to 4200.

The amount on which estate duty was paid in 1895-96 was £187,000,000; in 1902-3, £278,000,000; while both the property and income of our people have increased enormously in the last half century.

It is unfortunately far from easy to give statistics which accurately measure our home trade. Nevertheless there are figures which give an approximate idea.

For instance, the goods carried by our railroads rose from 308,000,000 tons in 1890-94 to 371,000,000 in 1895-99, and in 1902 they were 437,000,000.

The wages of workmen employed in producing goods for exportation are estimated roughly at £130,000,000; those for home consumption at over £700,000,000.

We cannot indeed be too thankful that while, as the Board of Trade tell us,¹ “we hear of industrial distress in Germany and other continental countries, nothing of the sort exists here. Pauperism is not increasing, and the proportion of skilled workmen unemployed is comparatively small.” In fact, the numbers have increased all round, except as regards paupers, criminals, and bankrupts. Our countrymen, indeed, are so much better paid, better housed, and better fed than they were sixty years ago that the change cannot be described merely as an improvement—it is really a revolution.

¹ Board of Trade Memorandum, 1902, on Comp. Stat. of Population, Industry, and Commerce, p. 19.

CHAPTER VIII

SUMMARY AND CONCLUSIONS

Present state of our trade—Steady progress—Increase of wealth—
Definition of Free Trade—Protection—Effect of Protection—
Object-lesson afforded by New South Wales and Victoria—
Preferential duties—Difficulties—The case of Canada—Retalia-
tion—Fiscal wars—France and Switzerland—France and Italy—
Germany and Russia—Disastrous results—Blue-book on bounties
—The case of India—The condition of the working-classes in
England as compared with that (1) of those in Protectionist
countries, and (2) in our own country while under Protection—
Grave responsibility of reversing our policy.

IN the preceding chapters I have endeavoured to show that the gloomy statements made by Protectionists as to the present position of our manufactures and commerce have no foundation in fact: that, on the contrary, our trade has expanded steadily, continuously, and satisfactorily.

In fact, under Free Trade our commerce has expanded from £250,000,000 to over £900,000,000, and though there have been times of depression, still, if we take intervals of ten years, the progress has been continuous.

It is, indeed, often said that the condition of our exports is not satisfactory. While, however, in the fifty years preceding the establishment of Free Trade

they only increased by £22,000,000, in the fifty following the adoption of Free Trade they rose £190,000,000. No doubt there were other causes, but Free Trade was certainly one, and a very important factor. It has also been shown that our commerce and our exports exceed those of any other European country.

The United States, indeed, are expanding more rapidly, but their population is nearly double ours, while, as regards area, that of the United States is 3,550,000 square miles, ours 121,000; in fact, the State of New York alone is about equal in area to Great Britain.

The growth of our commerce is, moreover, the more remarkable on account of the great fall in prices.

Reference was next made to the so-called "ruined" interests, and it was shown that the fears entertained with reference to them were exaggerated, and in most cases entirely unfounded.

The state of our shipping interest was then considered, and the advance was shown to be extraordinary. The United Kingdom is but a speck on the ocean, and yet more than half the ships at sea fly the British flag.

The excess of imports over exports is no doubt very large, but the payment of freight on our ships, which the Board of Trade estimate at £90,000,000, and the interest on our foreign and colonial investments, which they put at another £90,000,000, are sufficient to account for the difference.

The last question as regards this part of the problem is whether our commerce has been fairly profitable. The Report of the Commissioners of Inland Revenue was quoted, showing that the income assessable to income-tax, which in 1868-69 was £399,000,000, had grown in 1901-2 to £867,000,000, an increase in thirty-three years of no less than £468,000,000!

It must be remembered also that we have recently experienced very unfavourable seasons for agriculture, and have passed through a terribly expensive war.

Some suggestions were, however, made which, it was thought, would benefit our commerce in the future.

The evidence being then conclusive that the country is by no means bleeding to death, and that, on the contrary, notwithstanding the unfavourable seasons, the enormous expense of the South African War, and the depression in certain interests, the country as a whole is prosperous and progressive under our present policy, we proceeded in the second chapter to consider what that policy is.

Many of those who are anxious for a change tell us that they are Free Traders: that our present policy is not really Free Trade, but only one-sided Free Trade. It is no use quarrelling over terms, and every one is entitled, though it is an inconvenient practice, to define Free Trade as he pleases. The authors of Free Trade, however,—and I have throughout used the term in their sense,—meant a system under which a country allowed its commerce and manufactures to

follow their natural course, no one trade or industry being bolstered up at the expense of others. This we believe to be the wise system for any country, no matter what others may do. It is not inconsistent with the imposition of import duties, because they can be balanced by corresponding Excise duties.

Figures were given which it seems to me strongly support the views here advocated; at the same time, as Mr. Chamberlain truly said, "in this controversy which I am commencing here, I use figures as illustrations. I do not pretend that they are proofs. The proof will be found in the argument, and not in the figures. But I use figures as illustrations to show what the argument is."¹

However, the figures strongly support the argument. Compare this country with Germany. We have 16,000,000 fewer people and £58,000,000 more exports. Man for man we export more than any other country in the world.

Moreover, if we look at the trade of European countries among themselves, we find that in every case our commerce with them is greater than theirs with one another. Protection, in fact, can only divert the energies of a country from the direction in which they would be most profitable, into another in which they are less effective. Every one will admit that it would be ridiculous for us to attempt to grow coffee or bananas; and though in other cases the absurdity may be less striking, the argument against artificial industries is not less conclusive. It is very

¹ Speech at Greenock, Oct. 4, 1903.

difficult, if not impossible, for any country to protect all its productions; and it is clearly impossible to protect manufactures which do not exist, so that even in Russia and the United States, notwithstanding tariffs which might seem prohibitive, many of our goods find an entrance; while on the other hand their duties render it difficult for them to compete with us in neutral markets.

It seems clear that when duties are imposed they are paid by the consumer. No country can tax another; if a country imposes duties on imports the consumers have to pay them, and this, consequently, raises the cost of living and production. While Professor Dicey tells us that our manufacturers are fighting foreign competitors with their hands tied, we maintain, on the contrary, that in their competition they have the great advantages of cheap food and cheap raw materials.

The term "Protection" has a friendly and pleasant sound. But Government has no funds except those raised from the public. Certain industries may, no doubt, be benefited, but only at the expense of others. To some extent this is admitted by almost every one. Our Government, at any rate, do not propose to tax raw materials. But many things classed as manufactured articles are really the raw materials of other manufactures. Even such things as steam-engines are the necessary adjuncts of other manufactures, and taxes on them would be a check on our manufacturing interests. The Germans have in this way suffered much from their own duties.

The shipbuilding interest is an instructive example. Germany and other countries have, by their duties, raised the price of various materials used. Our shipbuilders, on the contrary, get them cheap, and the consequence is that we build more ships than France, Germany, Russia, and the United States all put together—more, indeed, than the whole of the rest of the world.

As regards the relative effects of Free Trade and Protection we have in Australia a most instructive object-lesson. Some years ago Victoria and New South Wales were nearly equal—Victoria rather the richer and more populous. In an evil hour for herself Victoria adopted Protection, and now New South Wales has a larger population, larger commerce, and even as regards manufactures, the unprotected industries of New South Wales have thriven more and employ more hands than the protected industries of Victoria! The history of the tin-plate manufacture and of the sugar bounties teach a similar lesson.

The argument for Protection really amounts to this, that the more goods we send abroad, and the less we receive in exchange, the better for us.

The complaint that foreign countries “dump” cheap products upon us is a most remarkable grievance. If we do not want them, why do we buy them? If foreign countries would give them for nothing it would be better still. Surely the more we get for what we sell, and the less we have to give for what we buy the better. In private life, who wishes to pay more for what he wants? We often hear that things

are expensive ; who ever feels injured because they are cheap ? We should think any one who did so fit only for a lunatic asylum. Yet the same considerations apply to us collectively, as well as individually. We see the absurdity more clearly if we think of any special goods. Do we wish to pay more for tea or coffee, for cotton or wool ? Cheap light is a great boon. The discoveries of petroleum have added much—both directly and indirectly—to the comforts of life, and the cheaper it is the better. The sun gives us light and heat for nothing. Is that an evil ? Bastiat, in his “candlemakers’ petition,” put this well and wittily. He threw ridicule on Protectionist pleas for high duties by an imaginary petition supposed to be presented by the candlemakers of Paris to the French Parliament. The prayer was that Protectionist principles should be applied to the sun, and the sunshine should be excluded from houses. This, they pointed out, would benefit the agricultural interests by increasing the demand for tallow and wax, the iron interests by the extra demand for iron, mining by the necessity for more coal, the mercantile marine by the greatly increased number of whalers and the larger number of sailors, and Paris especially would benefit by the numbers of lamps and candles which would be wanted—the “articles de Paris” for which that city is celebrated.

The candlemakers’ petition was of course ridiculous, and was meant to be so, but where does it differ from other Protectionist arguments ? If it be a benefit that our houses are lit by day for nothing, is it not

also an advantage that we can now light them cheaply at night? If it would be folly to deprive ourselves of sunshine, where is the wisdom of raising the price of lamplight? The argument which applies to petroleum holds good generally.

Moreover, experience shows the injurious effects of Protection on political life. When it is adopted, every interest naturally fights for its own hand, and the fate of ministries is decided not on broad national questions, but by the conflicting interests of different groups of manufacturers.

In fact, one evil of Protection is that it introduces a subtle and most pernicious form of bribery.

The case for preferential duties is of a different character. We should all, or almost all, be glad to knit together more closely the mother country and the rest of the Empire. Unfortunately, with some exceptions, as, for instance, India and New South Wales, duties have been imposed, not for purposes of revenue, but to check the importation of our productions—or, as it is euphemistically called, to “encourage native industry;” which, however, it does not do, but only favours certain interests at the expense of others. Latterly, however, a feeling is growing up that this is not fair to the mother country. Canada has taken the lead and given us a preference. As Sir W. Laurier said, “We looked carefully round the world and found England to be the only country which receives our products freely. We desired to show England our gratitude.”

Canada now admits our goods at a rate of 33 per

cent below that of other countries, New Zealand has made a substantial difference, and it is hoped that other Colonies will follow. We gladly recognise the spirit in which these advantages are offered, and they will, no doubt, benefit our commerce.

Unfortunately the political influence of Colonial manufacturers is so strong that in both cases the preference is given, not by lowering the duties against us, but by raising them against foreigners.

Surprise is sometimes expressed that the result has not been shown in a more substantial increase of our commerce with Canada. But the explanation is, that while as the Board of Trade (see *ante*, p. 85) point out, British goods enjoy a preference of 33 per cent compared with other goods of the same character imported from foreign countries, still the duties are so arranged that they fall especially on the classes of goods we send, and while goods from the United States pay on an average 12 per cent, the duties on ours are no less than 18 per cent.

By their fiscal policy Protectionist countries, such as France, Germany, and Russia, exclude themselves to a great extent from our Colonial markets.

Moreover, it is impossible for us to give a preference to the Colonies without placing duties on food and raw materials, which the Government rightly regard under existing circumstances as being out of the question.

Nor, indeed, do the Colonies put forward any such proposals. The resolution adopted by the Colonial Premiers at the Conference in 1902 is given on p. 81.

To throw down all Customs barriers between different parts of the British Empire is a grand idea, but not at present within the range of practical politics.

If, however, the Colonies are prepared to modify their system, and to reduce their duties, we shall certainly consider any proposals they make with every desire to meet their wishes, but under existing circumstances the country will probably agree with Mr. Balfour that any scheme of preferential duties is out of the question.

The policy of the Government is very different. Mr. Balfour would not, as I understand, impose duties on food or raw materials. His object is to break down foreign tariffs, and to effect this he would "do to foreign countries what they always do to each other, and, instead of appealing to economic theories in which they totally disbelieve, use fiscal inducements which they thoroughly understand." It may be admitted that Protection injures our trade in the countries which adopt it, but, on the other hand, it does even more harm to the Protectionist country. The question, however, is whether retaliation would not do more harm than good; whether, in fact, it would do any good at all. France has tried it and failed; Germany has tried it and failed; the United States have tried it and failed. They have put on heavy duties, but have not broken down foreign tariffs. Moreover, under the favoured-nation clause, if they succeeded we should share the advantage.

Nor have we only the experience of foreign countries. We have tried it ourselves. We had

Protection for years, and Mr. Gladstone has told us that when he was at the Foreign Office he eagerly endeavoured to utilise these duties as Mr. Balfour suggests, but he says "we failed in every case. I doubt whether we advanced the cause of Free Trade a single inch."

Apart, however, from the question of duties, there are cases of injustice which would certainly justify retaliation. Whether it would be wise is another matter.

There have been of late years three cases of fiscal war—one between France and Switzerland, the second between France and Italy, and the third between Germany and Russia; and the Government applied to our representatives at Paris, Berne, Rome, Berlin, and St. Petersburg for reports as to the results. These have recently been issued in a Blue-book, and are most instructive.¹

In every case the result was to injure the trade of both belligerents and to divert much of it to their rivals. It is easy, moreover, to drive trade away, but much more difficult to recover it again, and in the case, for instance, of France and Switzerland, though thirteen years have elapsed, the trade relations between the two countries have not even yet recovered their former prosperity.

Another Blue-book recently issued gives particulars of foreign bounties, other than those on sugar, which have been dealt with by the Brussels Conference, and on shipping. The great majority of foreign countries give no such bounties. In some cases they are trifling,

¹ See *ante*, p. 106.

and the comparatively few cases in which they are serious might, if it were thought advisable, be met as the case of sugar was, and would certainly not justify any change which could be called a reversal of our fiscal system. In some cases, moreover, it might, I think, be shown that the bounties are really an advantage to us.

In the discussions on fiscal policy the case of India has not as yet received much attention. No one would, of course, deny that it is of supreme importance.

In the first place, we are bound, and should all wish, to do the best we can for the people of India; but, in the second, our commerce with India is so great that for our own sake it requires most careful study. Let us take this aspect of the problem first.

The immense importance of the question is shown by the fact that while our exports to New Zealand are £6,500,000, to Canada £9,000,000, to South Africa £15,000,000, and to Australia £25,100,000, those to India are no less than £33,200,000. The exports to India from all other countries are £12,000,000, of which £4,000,000 are tropical and other produce with which we could not under any circumstances compete. Germany sends £1,500,000, France £800,000, of which half consists of objects with which we do not compete, and the United States £800,000, half of which consists of oil.

Obviously, therefore, we could not gain much and might lose a great deal as regards Indian trade by a reversal of our present policy. We are bound, however, to consider primarily the interests of India

itself, and Lord George Hamilton, then Secretary of State, in August last telegraphed over to the Indian Government to ascertain their views on the subject. They point out that, in the absence of more definite information, it is difficult to express any decided opinion. So far as British interests are concerned, however, they state that no doubt India has something, but not perhaps very much, to offer to the Empire "if preferential duties were adopted."

So far as the interests of India are concerned, they point out that one half of their exports are even now admitted free of duty into the consuming markets, and that of the rest a considerable proportion is subject only to moderate duties. The Government have stated that it is no part of their policy to tax food or raw materials, and as these constitute the great bulk of their exports to British markets, they would have really nothing to gain. On the other hand, as regards foreign countries, Lord Curzon and his advisers state that it is clearly the interest of India to "avoid all tariff wars, and we recognise that it would be a calamity should we become involved in such struggles with the important purchasers of our exported produce." That revenue and population are increasing—that India is prospering under Free Trade—cannot be denied.

The Indian Government finally conclude as follows :—

"In a financial aspect, the danger to India of reprisals by foreign nations, even if eventually unsuccessful, is so serious and their results would be so

disastrous, that we should not be justified in embarking on any new policy of the kind unless assured of benefits greater and more certain than any which have so far presented themselves to our minds.”

Very nearly, if not exactly, the same words would, it seems to me, apply to our own case. We have tried Protection, and we have tried Free Trade. During the last fifty years of Protection our exports rose £22,000,000; during the first fifty years of Free Trade, £190,000,000. The extent of the injury which any country inflicts on itself by Protection depends of course on the thoroughness with which the system is carried out. Most Protectionists, indeed, themselves admit that if import duties were so high as to be prohibitive—if we deprived ourselves altogether of foreign productions, the country would suffer. It could not, for instance, produce tea, coffee, or sugar except at very high prices. It could not produce enough corn to support our population. No Protectionist has shown at what point duties cease to be beneficial, and become injurious.

Some, however, while admitting that duties on food or raw materials are unwise, allege that those on manufactures would be beneficial. I have attempted (pp. 49-59) to show that no such line can be drawn. Semi-manufactured and even manufactured articles become the materials, or the instruments, of other trades, and to exclude new products, inventions, and improvements, would be a serious check to progress.

In the first half of the last century our Protective duties were high, and in the 'forties the evil was

aggravated by a succession of bad harvests. And what was the condition of our countrymen? I have quoted¹ from contemporary writers to show how terrible were the sufferings in the manufacturing districts; while as regards the agricultural population, in whose supposed interests the Corn Laws were enacted, there were no less than five Parliamentary Committees on agricultural distress in thirty years. In fact, we were driven to Free Trade by the agony of starvation. As Lord Macaulay said: "If these things do not teach us wisdom, we are past all teaching."

It is indeed a relief to pass from the darkness and misery of those fearful times to the sunshine and fresh air of Free Trade.

If we compare the condition of our artisans with those of France or Germany, we find that in England wages are higher, hours of labour are shorter, and the prices of the necessaries of life are lower.

If we contrast our present condition with that of our own country under the last years of Protection, we find that wages are much higher, that the hours of labour in factories are more than 20 per cent less, and that the necessaries of life have fallen in price even more.

The improvement is well shown in the consumption of food, and especially, perhaps, in that of what may be called the comforts, as opposed to the necessaries, of life — say, for instance, of tea and sugar (see p. 142).

Pauperism has diminished, and in comparison

¹ See *ante*, pp. 127-131.

with the population has immensely diminished. Crime has decreased; prisons have been closed, and schools opened. The deposits in savings banks have increased. Everywhere we see buildings springing up, towns extending, railways being made and widened, new stations being built; while with reference to the increasing wealth of the country as a whole, it is surely sufficient to turn to the income-tax returns.¹

The manner in which the country has borne the drain of a most expensive war, accompanied as it has unfortunately been by disastrous seasons for agriculture, is really wonderful.

I may add that, while approaching the consideration of the problem from the Free Trade point of view, I am also a Unionist, and have every desire to support the present Government. There are, it must be admitted, some cases as to which we have undoubtedly grave reason to complain of the action of certain foreign Governments, and which would fully justify retaliation on our part. Commercial conflicts, however, are not to be undertaken lightly, they are almost as ruinous as military warfare; nor have we grounds of complaint so numerous and so grave as to call for any change which could be called a reversal of our fiscal system; while, in my judgment, it would be disastrous if we were to abandon the Free Trade policy under which our country has so greatly prospered.

¹ See *ante*, p. 143.

APPENDIX
ON
THE AMOUNT OF TRADE DONE BY FOREIGN
COUNTRIES
WITH
OUR SELF-GOVERNING COLONIES, FOR 1900¹

CAPE COLONY

| | |
|--|-------------|
| Total Imports | £19,678,000 |
| Less Bullion and Specie | 2,515,000 |
| | 17,163,000 |
| From British Possessions | 13,531,000 |
| | £3,632,000 |
| From Foreign Countries | £3,632,000 |
| Of this amount there are of articles not produced in the United Kingdom | 718,000 |
| | £2,914,000 |
| And of articles, such as butter, eggs, grain, and wood, which, though produced in, are not exported from, the United Kingdom | 822,000 |
| | £2,092,000 |

¹ See Board of Trade Memorandum, Cd. 1761, 1903, p. 381.

This, therefore is the amount as to which we have any real competition with foreign countries, and even as to this it seems to me that some other deductions might have been made, as, for instance, tobacco, preserved milk, and foreign books.

NATAL

| | |
|---|------------|
| Total Imports | £6,695,000 |
| Less Bullion and Specie | 783,000 |
| | <hr/> |
| | £5,912,000 |
| From British Possessions | 4,873,000 |
| | <hr/> |
| From Foreign Countries | £1,039,000 |
| Deduct articles which we do not produce £175,000 Or do not export . . . 325,000 | <hr/> |
| | 500,000 |
| | <hr/> |
| Leaving as the amount of Foreign Imports with which we might compete | £539,000 |

AUSTRALIA

| | |
|---|-------------|
| Total Imports | £46,806,000 |
| Less Bullion and Specie | 6,618,000 |
| | <hr/> |
| | £40,188,000 |
| From British Possessions | 28,841,000 |
| | <hr/> |
| | £11,347,000 |
| Deduct articles which we do not produce £2,454,000 Or do not export 886,000 | <hr/> |
| | 3,340,000 |
| | <hr/> |
| Leaving as the amount of Foreign Imports with which we might compete | £8,007,000 |

NEW ZEALAND

| | |
|---|-------------|
| Total Imports | £10,646,000 |
| Less Bullion and Specie | 438,000 |
| | <hr/> |
| | £10,208,000 |
| From British Possessions | 8,692,000 |
| | <hr/> |
| Leaving from Foreign Countries | £1,516,000 |
| From this must be deducted articles which we do not produce £226,000 | |
| Or which we produce but do not export 14,000 | |
| | <hr/> |
| | 240,000 |
| | <hr/> |
| Leaving as the amount of Foreign Imports with which we might compete | £1,276,000 |

CANADA

| | |
|---|-------------|
| Total Imports | £39,127,000 |
| Less Bullion and Specie | 727,000 |
| | <hr/> |
| | £38,400,000 |
| From British Possessions | 9,590,000 |
| | <hr/> |
| | £28,810,000 |
| Deducting articles which we do not produce | 6,273,000 |
| | <hr/> |
| | £22,537,000 |
| And others of which the Board of Trade say we "cannot compete in the Canadian | |

Free Trade

| | |
|--|-------------|
| Brought forward | £22,537,000 |
| market with the United States, such as bacon, butter, eggs, flour, coal and coal dust, grain, oils, meat, vegetables, and wood | 6,583,000 |
| | <hr/> |
| We have remaining a net amount of | £15,954,000 |

THE END

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